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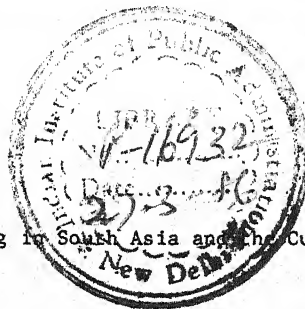
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Special Number on PLANNING SYSTEMS

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EDITORIAL

PLANNING REPRESENTS the ethos of the age. The debate as well as the faith in planning moves almost like pendulum from one end to the other.

Intellectual origin of planning can be traced back to many sources and circumstances, but the primary impetus for planning came from the Soviet experience. The worldwide Depression in the 30's also led to prolonged debate on the need and the nature of planning. Many countries in Europe and elsewhere resorted to some kind of planning with an eye on military preparedness. The widespread destruction during World War II in many countries in Europe and elsewhere projected planning as a tool for reconstruction and the rehabilitation of the devastated economies. After World War II, when many countries in Asia and Africa attained independence, planning was lauded as an effective tool for rapid socio-economic development. It was recognised that in the developing countries the state would have to play a much more activist role in the economy in order to fulfil the expectations of the people.

There is, however, one single accepted system of planning. The constitutional framework and the ideology always condition the character as well as the system of planning. Planning systems and methodologies have been classified from different angles--from centralised planning to indicative planning. In some countries, planning is all-embracing and comprehensive while in others it is partial and sectoral. People talk of democratic planning or planning by persuasion versus coercive planning. The techniques of Planning have also become sophisticated and even highly mathematical. The time span of planning also differs from country to country and sometimes efforts are made to dovetail short-term plans with long-term plans, annual plans with five-year plans, and many countries have attempted perspective planning for much longer duration to make planning more exact and effective.

In the area of planning, there has been a fair amount of exchange of experience as well as thinking between different countries and even different political systems. It was felt that the Annual Special Number of the IJPA should be devoted to the study and analysis of different aspects of planning system. It is only appropriate that effort should be made to

sum up the experience of different planning systems during the last three or four decades. Indian planning is within the democratic framework of a federal and parliamentary system. In our country, the approach paper to the Seventh Plan has been approved by the National Development Council and is being discussed in different circles; we are reproducing a part of the paper in the document portion of this issue.

In the present Number, we have covered certain countries and certain important aspects of planning systems. In accordance with the decision of IIPA's Executive Council to bring out this Special Number as EROPA Number, we were particularly keen to have contributions on the systems of planning adopted in South-East Asia besides other developing and developed countries. However, due to the deadline that we have to abide by for the Special Number it has not been possible to wait for as comprehensive coverage as we would have otherwise liked. We, however, hope that the debate on planning systems and planning experience will continue.

In this Number, Tarlok Singh, in his learned contribution, tries to give an overview of the planning experience in the countries of South Asia like Bangladesh, India, Nepal, Pakistan and Sri Lanka. Besides, pointing out that these countries have mixed economies, he indicates the areas of weakness as well as strength. He makes a plea for taking a wider view in order to introduce elements of regional cooperation into national planning as prevailing within each of the economies of South Asia.

Mohit Sen in his contribution has succinctly summed up what, according to him, constitute the lessons that the planning systems of social countries have for the developing countries and merit thorough discussion. Though coming much later in the sequential arrangement of articles, K.K. Dasgupta discusses some aspects of the Soviet system of planning including the various techniques and methodologies as well as theoretical issues in optimal and micro-level planning. His article is followed by a contribution from Arvind Vyas containing wide-ranging reflections on the Soviet planning system, highlighting the role and organisation of foreign trade within a centrally planned system. He also identifies problem areas within the Soviet planning system.

Planning necessarily becomes political in nature because it has an allocative function and also affects power structure. M.J.K. Thavaraj dilates on the implications of the politics of planning in general. The strategies and the directions of

development are greatly influenced by the nature of the political approach that lies behind the planning system. Sunil Kumar Sahu discusses at some length, in the background of the Mahalanobis model of industrialisation during the Second Plan, the politics of industrial planning. He discusses the role which Nehru envisaged for public sector as well as for industrialisation in general in our society. Sahu provides a historical and an analytical perspective of industrial planning in India. R.B. Jain, as a student of political science and public administration, analyses the experience of planning in India and indicates the significance of our plan effort for the developing countries in the Third World.

We have an article by Kamal Nayan Kabra on planning of plan implementation in India. Implementation is crucial for the credibility of the planning system as well as for policy formulation. Kabra has analysed a number of conceptual as well as operational problems in the context of "planning of plan implementation in a non-socialist economy, partially planned economy like India". Adopting a different approach, Shriram Maheshwari in his contribution, broadly on the theme of implementation, discusses the various elements intrinsic to administering of the planning system. Since very often the dichotomy is made that planning is good but implementation is faulty, these articles pinpoint for us some very significant factors which have to be properly considered if plan implementation has to be on the lines as we would like.

Proper linking of planning and budgetary practices is very much needed if limited resources have to be optimised and plan goals achieved. We have an article by K.L. Handa in which he focuses on this linkage as it is obtained in India at the Central level. The present planning mechanism has not succeeded in ensuring balanced growth of infrastructure at block level in the crucial sector of education. Tilak brings out issues relating to decentralised planning for education. The questions, such as centralisation versus decentralisation, and local planning and linkages in the functional system have emerged in the course of our planning effort and need continuous attention.

We have a comparative study of the French and Indian planning systems by Kamta Prasad. As is known, at a particular stage of thinking on planning in our country, the French system of indicative planning was a much discussed subject. Kamta Prasad provides a comprehensive study in a comparative perspective.

P.R. Dubhashi, in his article, has discussed the historical background as well as the developing perspectives of planning in Japan. It is of great interest in view of the spectacular progress that Japan could make within a very short period after the total collapse of its economy during World War II. David Schulze in his article gives very useful information about policy and practice of planning in Singapore, another fast growing economy.

Poudyal introduces us to the objective strategies and difficulties of planning in Nepal. He has made an effort to cover the economic issues along with administrative as well as socio-political problems.

We have also included a very informative contribution by Ganeshwar Chand on "Development Planning System in South Pacific Region". This provides an insight into the economic problems of a region about which enough published material is not readily available. The various contributions that have been included ought to provide considerable material for comparative study of the issues in planning systems.

We are fully conscious of the limitations of the present number and do hope that in the coming issues of the Journal we will be in a position to publish more articles about the planning systems and allied matters in different countries. It will, however, be noticed that the learned articles do bring out fully the intricacies of planning for development and also provide considerable material for comparative study of issues in planning systems. The issues relating to ideology and philosophy, economic and social policy, operational structures, uncertainties of the environment, regional development and local planning, role of foreign aid, time horizons for planning, role of public enterprises, effort by international organisations to promote planning development of administrative capability for planning, etc., have been highlighted.

In the document portion, we are reproducing some useful material on the subject, including an article by Dietmar Seiler on planning system in the Federal Republic of Germany. It is hoped that our readers will find them of interest.

We are grateful to the eminent authors who have responded to our request and we trust that this Special Number will be welcomed by our learned readers. Besides, we are also thankful to Shri K.P. Phatak and his associates Smt. S. Bakshi and Shri Suresh Kumar for providing a bibliography.

Development Planning in South Asia and the Current Challenges

TARLOK SINGH

I

SOUTH ASIA is presently taken to comprise seven countries: Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka. Bhutan with a population of 1.2 million and Maldives with a population of 170,000 in 1982 together account for 0.4 per cent of the total population of the region. Though small in numbers, each of these countries certainly presents unique problems and opportunities for development planning which have special significance in the regional context. Nevertheless, it is convenient to base the discussion in this paper on the planning experience of the five larger countries. Among these, Nepal and Sri Lanka have distinctive features which mark them off from the three most populous countries of the sub-continent - Bangladesh, Pakistan and India - which have shared in the past and continue to share so many common features.

Bangladesh, India, Nepal, Pakistan and Sri Lanka had in 1982 a total population of 928 million which is projected to increase to 1107 million by 1990 and to 1336 million in the year 2000. The three tables given below, drawn from the World Bank's World Development Reports, bring out some of the main features of their present demographic, social and economic profile.

With 77 per cent of the population and 78 per cent of the gross domestic product of the region, India stands in a category apart. Within a range, there are significant similarities between the countries. All of them are poor, coming close together at the lower end in the per capita GNP scale of the World Bank (1980) - Bangladesh at No. 126, India at No. 114, Nepal at No. 124, Pakistan at No. 107 and Sri Lanka at No. 113. Except for India, the rates of domestic savings are low. In some measure, all of them are dependent on inflows of external resources: India's dependence being much smaller than that of the others, yet by no means inconsiderable. Except for Sri Lanka, none of the other countries have yet reached the stage of demographic transition. In Sri Lanka, the social policies followed over several decades have ensured much

Table 1 DEMOGRAPHIC PROFILE, 1982

	Population (million) Mid-1982	Projected population (million)		Average annual growth rate (%) (1970-1982)		Rural population as % of total po- pulation	Labour force in agricul- ture as % of total labour force (1980)
		1990	2000	Popula- tion	Labour force		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Bangladesh	92.9	119	157	2.6	2.9	88	74
India	717.0	844	994	2.3	2.1	76	71
Nepal	15.4	19	24	2.6	2.4	94	93
Pakistan	87.1	107	140	3.0	2.7	71	57
Sri Lanka	15.2	18	21	1.7	2.1	76	54

Table 2 SOCIAL PROFILE, 1982

	Life expectancy	Infant mortality rate	Crude birth rate	Crude death rate	Adult literacy rate	Daily Calorie, supply as % of requirement (1981)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Bangladesh	48	133	47	17	26	84
India	55	94	34	13	36	86
Nepal	46	145	43	19	19	86
Pakistan	50	121	42	15	24	106
Sri Lanka	69	32	27	6	85	102

Table 3 ECONOMIC PROFILE, 1982

	GDP (milli- ions \$)	Annual rate of growth of GDP (1970- 1982)	GNP per capita(\$) ta(\$)	Gross domes- tic sav- ing (% of GDP)	Gross domes- tic invest- ment (% of GDP)	Exports as % of GDP	Distribution of GDP %		
							Agricul- ture	Ind- ustry	Service
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Bangla- desh	10,940	4.1	140	-3	14	8	47	14	39
India	150,760	3.6	260	22	25	6	33	26	41
Nepal	2,510	2.7	141	9	15	11
Pakistan	24,660	5.0	380	5	17	10	31	25	44
Sri Lanka	4,400	4.5	320	12	31	27	27	27	46
	193,270								

greater well-being and have safeguarded the quality of the population to a far greater extent than elsewhere. None of the countries have been able to absorb increases in population and labour force in productive and gainful work and the prospects of being able to do so over the next fifteen years or so are by no means certain. With high dependence on agriculture, to achieve a more balanced distribution of the labour force between agricultural and non-agricultural occupations is an imperative need. This need is specially acute in Bangladesh and Nepal, as also in several regions in India. Except for Sri Lanka, in other countries, social development and development of human resources have greatly lagged behind even such economic growth and development as has been achieved over the past two or three decades. Growth by itself has made only meagre impact on the basic problems of poverty, unemployment and underemployment, and ensuring of the minimum needs of the population as a whole. the gaps in achieving the essential conditions of well-being are so large that everywhere national planning is under serious challenge, being not called upon to accept new goals and priorities and to devise new strategies and mechanisms for finding answers to the

deep-rooted problems of the people.

The brief picture of the development scene in South Asia given above suggests that, while even less might have been achieved without the mobilisation of internal and external resources and efforts with which national plans are identified, these latter have not succeeded thus far in changing in a fundamental sense the conditions of underdevelopment and want which existed three decades or more ago. It is, therefore, useful to take a summary retrospective look at the planning systems and processes which came to be evolved and to consider the nature of reorientations and changes in directions that the present challenges may indicate. For each country its own national situation and experience are of primary importance, for each country represents a unique combination of constraints and opportunities. Nevertheless, even in a short assessment, it is desirable to seek propositions which, within limits, may be significant for individual countries as well as for the region as a whole. In any such attempt, national planning serves as the necessary starting point and we may consider briefly, in turn, some of the salient features of planning in Bangladesh, Nepal, Pakistan, Sri Lanka and India.

II

Since Bangladesh emerged as a separate entity (1971), it has faced extraordinary obstacles to steady and cumulative growth and development. The initial years had to be given to the rehabilitation and reconstruction of the economy. The First Five Year Plan embodied radical social priorities. But the plan was beset by inflation, recession, adverse terms of trade, unprecedented floods in 1974, and serious political happenings. A phase of rehabilitation (1973-75) was followed by a period of stabilisation. With many unfinished projects in hand, a Two-Year Plan (1978-1980), was drawn up. The Second Five Year Plan (1980-85), prepared as a draft document in July 1980, could not be finalised until May 1983. Over the seven-year period between 1975-76 and 1982-83, against increase in population of 2.3 per cent per annum, at 1972-73 prices gross national product increased by 3.9 per cent per annum and per capita income at 1.5 per cent per annum.

Bangladesh's Second Plan (1980-85) has been formulated keeping in view the overwhelming problems of poverty, unemployment, illiteracy, and malnutrition of the mass of the population, living mostly in the rural areas. In the words of the Plan, "about 85 per cent of the people now live under conditions of absolute poverty; 74 per cent of them cannot read and write and about 33 per cent of the labour force

have no work". The Plan warns that if the current trends continue, "the syndrome of poverty will spread like a mushroom". Conscious of the existing resource constraints and of the need for a long-term perspective, the Plan has set the following objectives:

1. To ensure an equitable growth in order to bring about a noticeable improvement in the standard of living of people by ensuring adequate supplies of the basic needs.
2. To reach self-sufficiency in food in the shortest possible time.
3. To expand opportunities for gainful employment so that people have access to income and resources for their basic needs and to benefits of growth.
4. To eliminate illiteracy and achieve universal primary education as steps for comprehensive human resource development.
5. To reduce the rate of population growth.
6. To promote participation of people in development activities through devolution of administration and development of local industries.
7. To attain a higher degree of self-reliance through domestic resource mobilisation effort and improvement of balance of payments position.

The central theme of the Plan is the reduction of poverty to a significant degree during the Plan period and to create such conditions "as would help completely eliminate it in an objective way by the end of the century". The main emphasis, therefore, is on the development of the rural sector where "the three bounties of nature --land, water and man--are in waste".

While the objectives and strategies have been carefully designed, the basic question is of the means available. Against 6.6 per cent of GDP in 1979-80, the average rate of domestic savings is expected to be raised by 1984-85 to 11.2 per cent. Of the total development outlay, net of repayments, foreign aid is expected to provide 41 per cent of plan outlay. Prior to the Plan, nearly 80 per cent of the developmental outlay came from foreign aid.

Nepal was almost wholly without infrastructures when it drew up its First Plan (1956-61). It has since made impressive progress in creating the basic conditions of growth and development. Beginning without any domestic savings to speak of, in four subsequent plan periods it mobilised resources of the order respectively of 23, 47, 41 and 33 per cent of the plan outlay. By the end of the Fifth Plan (1975-80), its domestic savings had risen to 8.2 per cent of the gross domestic product. The current Sixth Plan (1980-85) postulates

increase in the annual average saving ratio to 8.1 per cent of the gross domestic product.

Among the major concerns in drawing up Nepal's Sixth Plan were the decline in agricultural production, growing unemployment and under-employment accompanied by rapid growth of population, and the need to preserve the ecological balance of the mountainous region, deforestation in the Tarai and loss of productivity. Accordingly, three objectives were highlighted for the Sixth Plan, namely:

1. to increase production at a faster rate;
2. to increase productive employment opportunities; and
3. to meet the minimum needs of the people.

The Plan sought to achieve an overall rate of growth of 4.3 per cent per annum and growth in agriculture of 3.2 per cent and outside agriculture of 5.6 per cent, with average investment rising from 13.1 to 22.5 per cent of the gross domestic product.

The economy of Pakistan has grown at the rate of 5.1 per cent per annum over the period 1950-83, gross domestic product having risen at 3.1 per cent per annum during 1949-50 to 1959-60, at 6.75 per cent during 1959-60 to 1969-70 and at 4.54 per cent during 1969-70 to 1979-80. Since 1976-77, a growth rate of 6.5 per cent has been achieved, with per capita gross income rising by about 3.6 per cent per annum. Although, in absolute terms, the living standards of the bulk of the population remain low, there has been significant improvement. The Sixth Plan (1983-88) visualises growth in the gross domestic product of 6.5 per cent per annum. It also seeks to tackle the problem of poverty directly through extension of public services, specially education and health, rural works programmes, and greater stress on small farm production and expansion of small-scale units in industry. It also envisages considerable liberalisation of the economy with a marked shift in investment in favour of the private sector. Through the seventies, Pakistan has had a large and growing trade gap, exports paying for less than half the imports. Therefore, invisible exports, remittances and external assistance have been essential for sustaining the economy.

Despite differences in political systems and from time to time in priorities, planning processes in Pakistan proceeded on lines broadly similar to those in India. On the other hand, Sri Lanka's planning followed and continues to follow its own distinctive course. Prior to the far-reaching changes introduced since 1978 by the present government, while retaining the general emphasis on social welfare and improvements, planning in Sri Lanka passed

through four phases:

1. 1948-53: planning through individual investment projects;
2. 1954-59: planning through sectoral investment programmes;
3. 1960-69: planning through an indicative perspective ten-year plan with emphasis on short-term three-year operating programmes;
4. 1972-76: Five Year Plan to serve as a general guide.

Through the greater part of the decade of the seventies, the economy of Sri Lanka was beset with several serious problems; growth in unemployment, acute balance of payments deficits, heavy debt service burdens, and continuing conflict between long-term investment in industries and capital projects and the need to expand employment opportunities.

In Sri Lanka, systematic medium-term planning never came to be established as a central element in public policy. Therefore, the policies and outlook of successive governments became the main factor in shaping development policies. In view of the difficulties to which economic policies from the late sixties to the mid-seventies had led, it was possible for the new government to argue that a regime of freer trade drawing liberally on external inflows was better calculated to relieve unemployment and promote growth. The economic policies which have been adopted since 1978 have made Sri Lanka a much more open economy, with greater reliance on incentives and market mechanisms, encouragement to private enterprise, liberal imports of capital and intermediate goods and to an extent even of consumer goods, active promotion of private foreign investment and greater reliance on external resources, including suppliers' credits and loans from banks. Investment programmes are drawn up for the public sector on the principle of rolling plans for successive periods of four years. These are presently built around three major 'lead projects'--the Accelerated Mahaweli Development Programme, the Housing and Urban Development Programme, and the Greater Colombo Economic Commission, which includes establishment of Investment Promotion Zones to attract foreign capital and technology for export-oriented enterprises.

In India, from the commencement of planning, Five Year Plans have been a major instrument of public policy. Even during the period 1966-69 when there was no approved Five Year Plan, an earlier draft plan served as a guide for annual plans. The objectives of planning and its social premises were derived from the Directive Principles of State Policy set out in the Constitution. Since 1950, each Plan has served at the same time as an appraisal of the past, and as a

guide map for action in the future and also as a means for the reformulation and strengthening of basic national policies in the light of experience and evaluation.

On a long view, the various Indian Plans have been marked by a high degree of continuity and growth in terms of objectives and policies. Without losing sight of the need to achieve a satisfactory rate of economic growth, since the late sixties the Plans have been increasingly preoccupied with measures to alleviate poverty, meet the basic needs of the weaker groups, augment employment opportunities, and ensure more rapid development of the more backward regions. In part because of compromises arising from the circumstances of parliamentary democracy and the size of the country, there has been much less success than was initially hoped for in executing more radical policies associated with agrarian reform and reorganisation of the agricultural economy along co-operative lines. On the other hand, the public sector has been greatly expanded and the planning process encompasses all levels of national life from the block and district through the state to the country as a whole essentially as components of a broadly integrated and coherent system. Plans and planning institutions in India are the subject of intense public scrutiny and criticism and the gaps and failures observed in them are matters of wide public discussion.

III

The economies of Bangladesh, India, Nepal, Pakistan and Sri Lanka are all mixed economies. While India has assigned a strong role to the public sector in several areas, all the economies rely heavily on the private sector, even outside agriculture, to produce the goods and services needed by the community. Indeed, in Bangladesh, Nepal, Pakistan, and Sri Lanka, either because of inadequate performance or the limitations of governmental structures, the current policy preference is markedly in favour of the private sector. In the foreseeable future, all the economies will continue to be market economies with a positive role for the private sector. Therefore, they have to find solutions to basic social problems and problems of distribution within the system of mixed economy. The line between the public and the private sector may shift in each country from time to time, but the essential challenge is similar in nature and will remain. In none of the countries has the government or the national planning organ tried yet to visualise the total structure or pattern of organisation which it should endeavour to reach over a period, specially in the growing modern sector of the economy. While South Asian economies are in transition, none of them can yet

be said to have formulated its long-term goals.

Experience in India and less intensely in other countries has shown up some of the serious limitations of medium-term plans. Without long-term goals and perspectives, medium-term plans are somewhat lacking in focus and direction. They are subject in excessive degree to the pressures and constraints of the present and the near future. The influence of politics on planning is inevitable because planning bears upon so many vital aspects of public policy but, by their nature, medium-term plans enlarge the play of current politics. On the other hand, because of the increasing stress on what might be called populist policies and measures and the political urge to promise far more than can be performed, medium-term plans have tended to accentuate the forces of economic instability in the short-term. The inability to set and pursue the longer term goals and policies needed to bring about structural and institutional changes is matched, at the same time, by the inability to ensure price stability and steady growth from year to year.

In an earlier phase of planning, specially in India long-term goals tended to be set in terms of physical targets, notably in industry. In South Asia, the main basis for long-term planning is provided by the growth of population and the labour force, the need to eliminate the conditions of poverty for the weakest socio-economic groups and the least developed regions, and the need to secure the minimum needs in health, education, housing and welfare for the bulk of the people. The accent in long-term planning has to be, therefore, on the fundamental, social, economic and structural changes which have to be brought about. From this angle, the existing plans in all the countries continue to be exceedingly weak. The populations of Bangladesh and Nepal as well as of large parts of India are so highly dependent upon agriculture alone that a priority goal for long-term planning has to be the transformation of the local and regional economies into composite agro-industrial systems supported by social services and infrastructures.

For many years after the commencement of Five Year Plans, it was not realised that while planning had helped develop capacities and infrastructures in the modern or the organised parts of the economy, there was an increasing dualism in that the gap in incomes and productivity between organised and unorganised activities was increasing. With increase in population a high proportion of those coming into the labour force could not be absorbed productively in organised or semi-organised activities and ever larger numbers were being thrown into unorganised activities and, speaking generally, into conditions of relatively greater poverty. Therefore, concern with poverty and unemployment and underemployment now indicates a

sharp shift in the direction and priorities of planning from the building of capacities and infrastructures to the development of human resources and social services and to the more effective utilisation of manpower. Increasingly, the major focus of planning has to be on the unorganised sectors of the economy. This is specially true of Bangladesh, India and Pakistan.

An important factor in the inability of governments to maintain price stability has been the influence exerted by the international economy. Since the oil crisis of 1973-74, the prices of imports needed for development have increased several fold, and the terms of trade for primary products have deteriorated. External factors have combined with internal factors to push up domestic prices, increase inflationary pressures, and enhance the costs of development for the greater part of the population. The average annual rate of inflation during the period 1970-82 has been given in the World Development Report for 1984 as being 14.9 per cent for Bangladesh, 8.4 per cent for India, 8.9 per cent for Nepal, 12.7 per cent for Pakistan, and 13.3 per cent for Sri Lanka.

Attempts to implement development plans have been accompanied in each country by vast expansion in public services in developmental as well as other spheres. As governments have assumed greater responsibilities and have intervened in many more areas and at many more points than before, their administrative structures have expanded. In the process they have become more and more hierarchical, horizontal coordination at different levels has become more difficult, and efforts to achieve greater decentralisation and a larger measure of public participation and voluntary action have been frequently frustrated. This very fact has become one of the serious drags on development.

A lesson of common interest which emerges from the planning experience of all the countries in South Asia is the need to develop over-arching strategies drawing support from several sectors for solving critical problems. Examples of such problems are the need to utilise manpower, to change the rural occupational structure, to raise productivity in agriculture, small and household industry and other unorganised activities, to equip literate youth in the rural areas with new skills, and to devise appropriate strategies of development for poverty concentration areas and for the more backward regions generally. In the past, since so much had to be done in different sectors, planning has been undertaken on a wide front without the means to make the full impact needed in areas of fundamental importance for individual regions. It would appear that in the next phase a stronger and a more intensive thrust directed towards specific problems could lead to greater advance in economic

and social terms and also to larger gains from investments made in the past.

Finally, it was perhaps inevitable that in the past each country should have planned for itself without attention to the needs and potentials of its neighbours. Different economies in South Asia have now grown to the point where they can give to and receive much more from one another than was possible earlier. Therefore, according to the objective requirements of each country, through mutual exchange and co-operation in planning, it is feasible now to introduce elements of regional cooperation into national planning undertaken within each of the economies of South Asia. In the measure in which governments and national planning agencies are able to do so, they will also be better able to safeguard the collective interest of all the countries in trade, transfer of resources and transfer of technology in relation to the more developed countries.

Planning Systems in Socialist Countries

Lessons for the Third World

MOHIT SEN

I

AT THE outset, I should like to register my protest at the term 'Third World'. It is a totally inaccurate description of a group of countries whose only common feature is that they won their freedom in struggle against imperialism and colonialism, mainly after the end of World War II barring some of the Latin American ones. These countries should really be described as belonging to the national liberation zone. Even today the central task that confronts them is the struggle against neocolonialism or neoimperialism and the securing of a democratic international order, in the most comprehensive understanding of that term. One of the terrains of that battle is in the realm of ideas and concepts. One concept that has been literally smuggled into countries like ours is 'the third world'. Its securing blandness is meant precisely to cover up neocolonial reality, to blunt the struggle against it and to prevent the securing of allies in that struggle.

What this article, therefore, would seek to present are the lessons of the experience of planning in socialist countries for the countries of the national liberation zone. Actually, however, the scope would be more restricted. It would focus upon the experiences of planning, mainly, in the Soviet Union and the People's Republic of China in the context of the problems as well as the experiences of India.

This would be done, primarily, because in my view planning requires not only certain minimum socio-economic conditions but also a certain size geographically, demographically and in terms of natural resources. "Socialism in one country" was a cardinal theme of controversy between the majority of Soviet communists headed by Stalin and Trotsky. The former proved to be correct partly also because socialist planning in one country was possible but only provided that such a country was the Soviet Union or like it. Neither socialism in one country nor socialist planning in one

country would have been possible, say, if the country had been France or Guatemala. Small socialist countries do exist and do very interesting variations within the general framework of socialist planning. But this is only because of the existence of the Soviet Union and the integration of socialist economies through the Council of Mutual Economic Assistance. A country that is dependent on foreign economic relations with the imperialist countries cannot seriously think of economic planning.

In the national liberation zone there are only a few countries that can be said to be qualified, as it were, for planning. India is pre-eminent among them. So is China. Both these countries have also opted for planning, though of considerably different types and in basically dissimilar social, political and economic conditions. Their achievements as well as their failures have both common and dissimilar features which it would be fascinating to go into in detail but which would only be briefly touched upon later in this article. If, however, one were to pick out the most important of the planning experiences of these two Asian giants it would be that planning cannot proceed successfully if there is a deviation from socialism (China) or if there is failure to advance in the direction of socialism (India).

While India and China in the contemporary period, even more so than in the past, are extraordinarily important and historically relevant countries, the economic scene of modern times is dominated by the Soviet Union and its planned economy. In fact, it would not be indulging in hyperbole to say that Soviet planning is the most significant attempt at conscious socio-economic development in history. And, in my view, it is also the most successful despite all the mistakes and even agonising failures. The 'hidden hand' certainly had an important historical role in advancing human productivity, calculation and nationality. But it had its own fetishism and uncontrollability and its own crisis. Planning represents a qualitative leap in human control, use of reason and enlargement of interest. So far planning's real success story has been that of Soviet planning. And it is a recounting of some of its changing features that will now be attempted.

II

The history of Soviet planning is not uniform nor unilinear. Broadly speaking it has four periods--project-concentration, NEP, comprehensive planning of the stage of extensive development, and the new orientation in the present period of intensive analitative development. It has been somewhat unfortunate that Soviet planning

has been seen often to be synonymous with the period of comprehensive extensive development. Undoubtedly this was the heroic and harsh period of Soviet history, replete with glory and tragedy. It demonstrated that socialist planning was the swiftest path to economic independence, strength and equality. On balance after more than half-a-century has passed, it would seem that in the given situation what Stalin decided in 1929 was correct in the sense that it was inescapable. There was no other way to prepare to meet the looming Nazi and fascist onslaught. The Soviet factness had to be built in many ways by a return to the orientation of War Communism and a measure of negation of the New Economic Policy. But this cannot be considered to be the essence of Soviet Planning experience, much less its only model.

It has structure that there is a great deal of sense in the thesis that the real alternative to the Stalin line of 1929 was not that of Trotsky-Preobrazhensky but of Bukhavin. In the situation or conjuncture of the times the Bukhavin line would have failed to produce the required results at the pace at which they were needed. But it did point to a possible pattern of planning which, perhaps, can be looked into now that the Soviet Union has attained its tremendous power, i.e., if a nuclear now is prevented. But what can be fairly insisted upon is to take up the Bukhavin proposals for examination in India and elsewhere as a part also of Soviet planning experience. Not all that is not attempted or does not happen, as it were, should be banished from historical evaluation. A choice rejected rightly at one time can provide clues, at least, for choice later.

The essential difference between the two lines was not the rates of growth nor the exact weight of heavy industry. It was the mode of change of the existing socio-economic structures in the Soviet Union and the correlation between the compulsory and the guiding components of the planning process. This is not quite the same as the planning--market mix or directive--autonomous complex which is being so much discussed in the socialist countries themselves now-a-days, though certain historical linkages can be established. The present discussions relate to problems of a developed socialist society whereas the Bukhavin-Stalin controversy related to the socio-economic transformations and material base required for the construction of socialism. In some ways this controversy reminds one of the important debate that went on in many advanced capitalist countries regarding the path of advance to socialism, i.e., whether by way of a war of sudden assault or through the moving onward by trench war-fare.

The Stalin-Bukhavin controversy apart, there is another Soviet

planning experience which is not often cited. This relates to the setting up in February 1920 of a commission to draw up the state plan for the electrification of Russia (GOELRO) headed by G.M. Krghizhanovsky. A year later the State Planning Committee (Gosplan) was set up headed by the same person. Its functions were to complete current economic plans and draw up an integral long-term plan for the state on the basis of the Goelro plan. Incidentally, it was at this time and in this connection that Lenin coined his famous aphorism "Communism-Soviet power and electrification".

The point is that not all Soviet plans were the Five Year Plans with which so many are familiar. There was also the specific project-oriented Goelro plan of electrification of Russia at a time when the New Economic Policy was being introduced. Planning to get a particularly important thing done was found to be quite compatible with a retreat from the almost total state control of the economy which had been the hallmark of the period of War Communism. What was envisaged was that along with the implementation of the Goelro plan there would be a steady but gradual move towards the cooperativisation of agriculture, the advance of state and cooperative trading in competition with the private traders, the encouragement of private peasant production through the replacement of the surplus-appropriation system by the tax in kind and with the state consolidating its occupation of the commanding heights of the economy.

This was the kind of planning that went on for about eight years till 1929 when the Five Year Plan was launched. It would be wrong to look at it only as a kind of prologue to the Five Year Plans. In addition to that it was also an experiment in a particular kind of planning. Soviet plans were not and are not all the same.

And this brings us to the present phase of Soviet planning which has still to take on its full configuration. Experiments are proceeding in different sectors and areas of the Soviet economy so that proper interrelations can be established between central direction and unit autonomy as well as the system of connections between the units themselves together with the appropriate balance between targets of the state and direct response to consumer demand, broadly understood. The next congress of Communist Party of the Soviet Union, scheduled for early 1986, is expected to sum up the results of the experiment. But the general trend is clearly towards greater autonomy and initiative especially in the context of the needs and possibilities opened up by the scientific-technological revolution.

Quite clearly it is not planning that is being abandoned. There is no turn to the magic of the market place. But equally clearly there is to be a major departure from the kind of planning that was

found to be necessary in the Soviet Union in the extensive phase of its socio-economic development. Some experts see it as a combination of planning and the market. This may be true of Hungarian experiments. In the Soviet Union it may be more correct to categorise it as a combination of directive planning with indicative planning. A negation of the negation, if you please, if what happened in 1929 is taken as a negation of what was being done from 1921-29.

III

Despite the diversity of the Soviet planning experience it does possess some common characteristics which are certainly of relevance to a discussion of our own problems. But it must be stressed that the international and national situation in which we operate is highly specific requiring equally specific responses to the making of which the Soviet experience would certainly be useful to reflect upon.

The first of these experiences to which attention should be paid is that planning requires certain indispensable socio-economic conditions. These may not amount to full-blown socialisation of the main means of production. But there has to be a certain minimum of socialised or state-owned and cooperative means of production which are not only directly linked up with one another but which have the weight in the totality of national economy to enable it to be steered.

Second, planning requires its own philosophy. It has to be taken in its own right as an alternative method of economic development. Investment decisions, in particular, have to be taken not in response to market movements but on a consideration of national needs. This does not mean that planning can ignore the problem of surplus generation. But it does mean that this problem has to be broadly considered, with a long time horizon and with the appropriate pricing system. Planning is not to be taken as an auxiliary to some other more basic form of economic activity. It is the instrument and form of national economic advance. In a certain sense, not to be wrongly understood, planning is for planning and not for something else!

Third, just as planning requires certain socio-economic preconditions, it also requires a certain type of state power. Socialisation of the main means of social production is an abstraction since to begin with it is the state which would be the representative of society. The state in turn is an abstraction unless it is understood as to what is its class character both of its apparatus and

its governing authority. It is not all essential for planning that the state and the government should be of the Soviet type. But it is essential that both should in social character be one of the working people in general, with the category embracing all those who labour by hand or brain. It should represent the non-exploiting strata though it may include in its scope all social strata which are productive and patriotic.

Land reforms fail in our country, it is often said, due to lack of political will. This is not true. It is precisely the political will that they should fail, despite the wish of powerful segments of the governing authority. The same can be said about planning. Crucial to its success is political will. And political will in favour of planning cannot emanate from those whose very mode of being is the realisation and accumulation of private profit.

Fourth, planning cannot succeed if it is treated as a purely economic exercise. It is a socio-economic phenomenon. Each plan is not only a package of projects but also a means of social remoulding, change and advance. This should not be taken to mean that the plan should consist of productive targets combined with social services but should have clear social objectives. It should be either the instrument of tangible advance to socialism or the advance of socialism and has in each case to be evaluated as such.

Fifth, plan framing and implementation has to be a democratic but not by any means a spontaneous or voluntary process. The masses must be involved and fully realise their stake in the plan and the mechanism of planning. At the same time, the plan targets once set have to be obligatory and have the full force of law. A casual attitude is the very antithesis of planning.

Sixth, if plan framing and implementation is not to be voluntary, much less should it be voluntaristic. No doubt that Stalin said in the context of planning that there are no fortresses which the Bolsheviks cannot take. But this is not the same as saying that there are no plan targets which cannot be fulfilled. The Big leap disaster in China in 1957-59 is the most tragic example of the catastrophe which voluntarism leads to. Planning has to be a process of balanced and proportionate growth. It can and does induce change but only if it is based on the objective situation and laws of objective development. Planning, in other words, is a scientific operation. It is reason in operation on the scale of the whole of society. It replaces the social anarchy of production of capitalism by extending the rationality and calculation inherent in the conduct of individual capitalist enterprises.

Lastly, while foreign economic relations are not to be taken as disturbing phenomena likely to upset planning but, as was stated at

the outset, planning is an inward turned process. Its orientation has to be on the domestic resources and market, in a single country or complex of countries. It is not autocratic but it has to be autonomous and self-reliant. There can be no export-promoted planning. Poland has rubbed that lesson home. Cooperation and collaboration has to be mainly between planned economies with other forms playing a marginal role, even if this means foregoing for the moment certain technical and consumer advantages.

These seem to be the cardinal points of reference which the planning experience of Soviet Union provides to us.

Politics of Planning

M.J.K. THAVARAJ

General read later!

PLANNING IS a conscious effort to achieve desired ends. It is a rational method of application of resources for the fulfilment of specified objectives. As a systematic approach to goal achievement, planning could be undertaken by simple as well as complex organisations; by private and public sectors; at the macro and micro levels; by the national and regional entities; to achieve strategic and tactical objectives. Corporate growth, defence strategy, and economic development represent prominent areas where planning is useful.

Plan could be comprehensive or partial. Comprehensive planning comprise several steps such as the formulation of goals, identification of alternative strategies; choice of appropriate strategies, policies and programmes oriented to the accomplishment of goals and objectives; formulation, implementation, progress review and evaluation of programmes and so on. Partial planning is limited in scope and scale. As a general method of approach and tool, planning is sometimes regarded as being 'neutral' between ideologies and systems of organisation. This is a misconception. Tools are always wielded by somebody for some purpose. But in defining the purpose, making choices and implementing decisions, planning is as value laden as any other tool handled by individuals and groups in any society. A corporate plan may aim at a certain rate of profit during a specified period. But decisions made and actions initiated in this direction will impinge upon the interests of workers, salaried employees and consumers. The strategic objectives of defence will deeply affect the deployment of national resources, and pattern of production and distribution.

In the case of strategies of economic development, it is the socio-political environment which imparts values, scales of preferences and content to planning. Politics is at the heart of the process of goal determination, policy formulation, design and implementation of programme. Since economic planning embraces these elements, it is deeply embedded in the socio-economic system and is an integral part of the political process of interest articulation.

Under the western democratic institutions, reconciliation of conflicting interests is regarded as the major outcome of the political and administrative processes. Clash of interests between groups of citizens revolves around questions of who gets what and how much and who pays for it. Groups and classes emerge on account of basic property relations and social and cultural cleavages. These groups vie with one another in getting as much as they can out of the benefits that flow from state intervention, by paying as little as they can manage to get away with. Each group exerts its own pressure to influence the legislators, executives, administrative agencies and officials to bend governmental decisions in their favour. As to whose interests would prevail at the end of these conflicts and struggles is determined by a process which is essentially political in nature.¹

In USA, the 'spoils system' is a device by which explicit political solutions are sought to interest satisfaction. 'Long rolling' and 'pork-barreling' approaches, prevalent in the Congressional Committees, also reflect the manner of reconciliation. But since the two parties which have been sharing political power are characterised as "two empty bottles with two different labels", the benefits of state intervention have largely accrued to the industrial and financial oligarchies or the 'military-industrial complex' which influence the political parties and processes in the United States in many ways. Even in the United Kingdom, where labour party has bitterly contested the outcome of distribution of the gains from development, no basic change in the pattern of property relations was envisaged or brought about.

The concentration of wealth and economic power has bent the political and administrative processes in favour of the rich who could secure a larger share of the fishes and loaves churned out of the governmental operations. Affluence leads to an intimate link with the political parties and their bosses, command over the media of expression and opinion formation, creation and control of powerful pressure groups and lobbies, influence over public services and so on. Sometimes, these links and levers operate through the mafias, black money bags and goondas of the underworld. The leverage they gain out of these linkages enable the rich to bend the laws and policies in their favour, grab disproportionately large slice out of the governmental cake and shift the burden of taxes on to the weaker shoulders.

If the vast majority continuously lose in the game of distribution, they may lose faith in the 'bourgeoise democratic institutions' and the rationality of the market mechanism. Some have succumbed to the system of oppression and exploitation. In some

parts of the world socialist revolutions have experimented with restructuring of property relations and rationalisation of decision-making processes. On the other hand, some conservative military regimes have countered revolutionary movements and smothered democratic processes. Some have attempted to correct the imperfections of the market and the injustices arising from an inequitable socio-economic system through varying degrees of state intervention and reforms. As a tool of decision-making, planning is capable of intervening in the socio-economic system as well as in the operations of the market.

Planning envisages state guidance of the economy in the light of long-term and medium-term objectives.² In the developing countries, where public sector is assigned a large role in economic development and social change, the scope of planning can be wider and far-reaching. Thus, whether comprehensive or otherwise, planning involves state intervention in the processes of economic decision-making and the institutional framework which governs them. By providing alternative mechanisms and framework of decision-making, planning has been the subject of ideological debate and political controversies.

IDEOLOGICAL OFFENSIVE AGAINST PLANNING

The ideological attack on state intervention and planning was launched by Friedrich A. Hayek³ and Ludwig Von Mises⁴ towards the end of World War II. These two works were primarily a reaction against Nazism and Fascism and the role of the state under 'national socialism'. The Communists condemned it as 'moribund capitalism'. Hitler employed a comprehensive system of coercive intervention to support his military adventures based on the superiority of the nordic race which prompted him to exterminate Jews and Communists. Mussolini unleashed his own brand of oppressive measures against the masses of people for his own schemes of national aggrandisement. Without analysing socio-economic content of the highly exploitative and oppressive system of Nazi Germany and Fascist Italy, Hayek and Mises had condemned planning and state intervention as being inherently inimical to individual freedom, freedom of the market and democracy. Despite the fundamental differences in the socio-economic foundations of Nazi Germany and Fascist Italy on the one hand and Soviet Russia on the other, Hayek and Mises directed their offensive against the Soviet experiment in planned economic development which was based on socialisation and collectivisation of the means of production, distribution and exchange. Obviously, their primary concern was to defend private property and the market system

and political institutions associated with capitalism.

According to Hayek, planning involves central directions and regimented economic life. It displaces freedom of the market with social control. He would not object to planning if it would strengthen competition instead of substituting for competition. He believes that competition is the only method of coordination of economic process. His main contention is that even an omniscient dictator cannot develop all inclusive scales of values by which he could have a synthetic view of the economic process. Mises called it planned chaos. In his view, coercive intervention injecting orders, command, prohibitions and so on in the market are doomed to failure, thereby spelling disaster and chaos. Mises believes that individuals execute their own respective plans in the market. Planners are accused of interfering with individual freedom by substituting their own plans for those of their fellowmen and by imposing arbitrary controls. According to Hayek, since Parliament cannot prepare a comprehensive plan, the task of planning is delegated to experts who impose their own scales of preferences and discretionary controls on others. His fear is that planners could wield absolute power. He maintains that state control over resources is all-pervasive. He objects to the state choosing between different ends and directing the means of production to particular ends. Insofar as these arbitrary actions are not subject to 'rule of law', he argues, that planners' control is not merely economic as control over economic means would involve control over other ends. In the words of Hayek, "restrictions of freedom regarding material things will affect our freedom of spiritual things". He also affirms that dictatorship of the proletariat would destroy personal freedom.

According to Mises, democracy is inextricably linked with capitalism and market forces. He, therefore, asserts that planned socialism cannot be operated through democratic methods. He feels that "socialism would harm the masses in reducing them to the status of poor serfs entirely at the mercy of irresponsible dictators". Hayek believes that, like a military campaign, comprehensive plan cannot be designed through democratic procedure. No coherent plan can be made by breaking it up into parts and by voting on particular issues. In his words, "a democratic assembly voting and amending a comprehensive economic plan clause by clause as it deliberates on an ordinary bill makes nonsense. An economic plan to deserve the name must have a unitary conception. Even if a Parliament could, proceeding step by step, agree on some scheme, it would certainly in the end satisfy nobody". That is why he has asserted that collectivist creed and planning would destroy democracy.

FAILURE OF MARKET CAPITALISM

It is strange that such a passionate defence of capitalism was made when state intervention was increasing all over the capitalist world and the efficacy of collectivist planning and communist organisation was no longer in doubt. J.M. Keynes was as much anti-communist as Hayek and Mises. As early as 1925, Keynes had declared that "class war will find me on the side of the educated bourgeoisie."⁵ He has also acclaimed free trade as the only policy which is technically sound and intellectually tight.⁶ But he perceived the failure of automaticity of the market mechanism since World War I. He had no hesitation in acknowledging "the end of laissez - faire".⁷ He expected the government to play a complementary role to the private sector. As he put it, "the important thing for the government is not to do things which individuals are already doing and to do them a little better or a little worse; but to do those things which at present are not done at all."⁸

A comprehensive outline of the compensatory role of the public sector in ensuring aggregate demand consistent with full employment and stable prices was presented by Keynes in 'The General Theory of Employment, Interest and Money'. Amongst other forms of state intervention, Keynes had also envisaged a somewhat 'comprehensive socialisation of investment'.⁹ The New Deal was the embodiment of Keynesian prescriptions of state intervention for restoring American Capitalism from the Great Depression. Averall Harriman, the Democratic businessman from New York, glimpsed in social security, farm support and the National Industrial Recovery Act, a potential reinforcement of the American version of market capitalism.¹⁰ In fact, thanks to the Neo-Keynesians, American Government has been progressively adopting interventionist policies which were conducive to the growth of the 'military-industrial complex'.

The early thirties had also witnessed a spate of fundamental works challenging the text-bookish assumptions about perfect competition. Joan Robinson enunciated the 'Economics of Imperfect Competition'.¹¹ E.H. Chamberlin christened the prevalent system as one of 'Monopolistic Competition'.¹² The dominance of a few giant private corporations in the domestic and international economy was rendering so-called 'free competition' or 'perfect competition' a figment of imagination. The Madison Avenue techniques of conditioning consumer preferences had exploded the myth of 'consumer sovereignty'. The failure of the market and perfect competition and the growing awareness about the implications of increasing returns, external economies, etc., led to a major restructuring of economic theories.

These and other developments blunted the fundamental attack initiated by Hayek and Mises. At the same time, Lange and Taylor had replied to the basic issues raised by Hayek and Mises.¹³ Lange and Taylor assumed freedom of choice in consumption and occupation. The 'trial and error' method propounded by Taylor and the 'accounting price' enunciated by Lange were expected to do what the competitive market claimed to accomplish in the determination of equilibrium prices. The absence of business cycles and the possibility of maximisation of social welfare arising from equitable distribution of income and opportunities were also claimed as unique gains of centralised socialist planning.

POLITICS OF LAISSEZ-FAIRE

Karl Marx had already established the class character of economic laws of capitalism.¹⁴ Non-Marxists like Gunnar Myrdal have also underlined the unreality of the 'theory of free competition' and related concepts.¹⁵ In his view, what was regarded as an abstract assumption or as a tool of theoretical analysis of causal relations of facts became political desideratum. Myrdal has exposed the politics of laissez-faire in terms of the concept and theory of value. Insofar as the concept of value probes beneath the surface, he regards it as of central significance for the construction of economico-political doctrines. He maintains that the value theory is always implicit in the political results even where it has not figured explicitly among the premises. In his view, from a scientific point of view, nearly all terms are 'value laden'.

Elements of political doctrines are also introduced as simple assertions where economic policy is discussed. For instance, in equilibrium, it is assumed that the price is the 'right' one and that factors of production are put to the most economic uses. But, according to Myrdal, there are as many valuations as there are persons engaged in exchange. The valuations are determined partly by the economic position in which each individual finds himself. But this situation, in turn, is governed by the course of the whole process of price formation and this is partly determined by the valuations themselves. Therefore, he feels that one of the main tasks of applied economics is to examine and to unravel the complex interplay of interests, as they sometimes converge and sometimes conflict.

The bias in economics is more apparent in arguments about economic policy and the theories supporting them such as value theory, than in more scientific analysis of price formation and distribution. Myrdal feels that a reconstruction of the theory of price

formation and distribution would be a prerequisite for a 'technology of economics' by which he means a scientific theory of how policy can serve concrete interests.¹⁶

According to Myrdal, the real difficulty of constructing a technology of economics in this sense would be that we often take the existing institutional set-up for granted. By institutional set-up he meant the legal order and the customs, habits and conventions which are sanctioned or at least tolerated by the legal order. A purely theoretical analysis of price formation can and indeed always has abstracted from institutional changes.

In actual life, however, it is the institutional set-up over which the political struggle is often fought. The scope for discovering the field of economic interests is greatly enlarged if we envisage the possibility of institutional changes. As he put it, "as long as we confine ourselves to the study of wage and price problems in a given institutional structure, the interests of one group of workers may conflict with those of another group, they may even coincide with the interests of the employer of the other group. But as soon as we take into account the wider possibilities of institutional change, interests may run along quite different lines." All institutional factors which affect the structure of the market, indeed the whole economic system including its tax and social legislation, can be changed, if those interested in the change have enough political power. He regards very different interest constellations as relevant to this wider setting. The time factor would also change the situational context. An inquiry into economic interests should, therefore, treat the whole institutional set-up as a variable.

Myrdal has also emphasised the need to examine to what extent any group is sufficiently powerful to bring about institutional changes and to trace the repercussions of various possible institutional changes throughout the price system.¹⁷ Thus, Myrdal has explained the politics behind economic concepts and theories and has emphasised the relevance of institutional factors in economic policy. It is this understanding which has prompted him to treat planning as an ideology. He regards planning as a social process which cannot be divorced from political reality. Political will is an important variable of planning which he regards as rational in approach and interventionist in conclusions. He envisages the possibility of changes by means of a rationally coordinated state action.¹⁸

RELEVANCE OF NON-ECONOMIC FACTORS

There have been many theories and strategies of development which

have been narrowly confined to economic factors. The Harrod-Domar model assumed that, in the affluent countries, growth could take place without basic changes in the socio-economic framework, since present savings are converted by investment into future growth. But experience has shown that such conversions are not automatic.

The Pearson's Report for the first development decade recognised the need for political and social change. It had identified equitable distribution of income, removal of restrictions on social mobility, land reform, administrative improvements, etc., as important aspects of development. But since they involve delicate political decisions the Report did not address itself to the ways such changes could be brought about.¹⁹ Many economists saw these characteristic features of poor countries as obstacles. In fact, the irrationalities, uncertainties, confusions, delays and corruption were part and parcel of poverty they aimed to eradicate. Hence the web of variables related to development began to embrace not only economic aspects, but also the configuration of social factors, investment in human capital, equitable distribution of gains of development and so on. The aim was nothing less than planned social transformation. Even, the World Bank under MacNamara had switched over from its contract or piecemeal approach to 'comprehensive development strategies' which included every relevant aspect of the nation's social framework.²⁰

The all inclusive approach was also reflected in Pearson's Report for the Second Development Decade which exhorted the developing countries to "do everything and do it all at once". The broadening process does not stop at one country. The system represented by the nation is only a sub-system of the larger international order. Therefore, the Pearson Report for the second development decade focussed on international systems planning and plans for the whole world.²¹ The Brandt Commission Report has also proposed North-South Dialogue with a view to establishing a 'New International Economic Order'.

POLITICS OF INTERNATIONAL ECONOMIC RELATIONS

Unfortunately, a harmonious and mutually supportive international economic order has remained a distant dream. There is a wide chasm dividing the rich and poor nations of the non-socialist world. The industrial and commercial wealth of the world is under the control of a few developed capitalist countries. In terms of GNP, per capita income, energy consumption and standard of living, they are way up in the scale. But their economy is under the control of a few monopolistic and oligopolistic giants which wield enormous power

and influence over the government through the 'military-industrial complex'. These giants have emerged as transnational corporations controlling the bulk of international investment, trade and finance.

Transnational corporations control about 80-90 per cent of world trade. Two-fifth of the international trade is merely in the nature of intra-firm transfers on a global perspective. As the world's dominant economic actors, the transnational corporations exert decisive influence over the policies of international lending institutions like the World Bank and the IMF through their respective governments.

Though in a formal sense the bulk of primary commodities are produced by the developing countries, they are in fact marketed globally by about a dozen multicommodity trading giants. OPEC is often blamed for the oil crisis which has rocked the economies of oil importing countries through the seventies. But, in reality, combined revenue of seven petroleum sisters amounted to about 426 billion dollars in 1980. Similarly, the giants in the agribusiness gobble up the skimpy foreign exchange earnings of poor countries through their manipulations of future markets and by controlling the international chains of marketing and distribution. There is a 'big five' controlling the grains pipe-line in the world. Indeed, the transnational corporations control the production, export and distribution of the bulk of the agricultural and mineral wealth of developing countries.

The transnationals also control the bulk of industrial manufacture and export of capital goods and technology. In fact, since the Nineteenth Century, the primary producers have been losing heavily on account of the adverse terms of trade.²² The grip of transnational corporations over the economic life of most of the ex-colonial countries has been tightening in recent years. As a result what the developing countries have been losing by way of deteriorating terms of trade has been far in excess of what has been dished out as 'development assistance'.

When the governments of the leading capitalist countries talk about new international order, they think of interdependence facilitating further penetration of the transnational corporations in the developing economies. Removal of restrictions imposed on foreign private investment, freer markets, liberalisation of imports of manufactured goods, minimisation of governmental control over business, higher taxes and larger fiscal inducements, and so on constitute the policy framework on the basis of which international integration is envisaged by the developed capitalist world. These approaches are bound to condemn the developing countries to the status of neo-colonial dependence-- as hewers of wood and drawers of

water. Alden Clausen, the new head of the World Bank and former President of the Bank of America, has extolled the virtues of bringing together, resources, expertise, capital and market on a global basis in an efficient manner.

President Reagan has been waxing eloquent about the "magic of the market place". Under his influence, there has been a pronounced shift from government and through multilateral institutions to private capital flows primarily through transnational corporate and banking structures. The new international order envisaged by the Brandt Commission does not seek to roll back the spreading tentacles of the transnational corporations and to loosen their tightening grip over the vitals of the developing economies. Instead, it seeks to promote cooperation within the prevailing world economic order where the transnational and the leading capitalist countries dominate.

The basic thesis of the Brandt Report is that it is imperative that both the more and the less developed countries cooperate to improve the economic and social quality of life in the developing nations, especially the poorest ones. The Report regards developing countries as indispensable 'partners' in the world system and that their national progress would help everyone by providing essential goods and services and absorbing increasing exports from the more developed economies. The political argument is that inter-state cooperation is essential for material progress and the lack of it will breed dangerous political conditions which can create international as well as national chaos and conflict. Hence, it appealed for a massive transfer of funds and transfer of technology to utilise the surplus productive capacity in the North and relieve the widespread unemployment and poverty in the South. The North and South are supposed to engage themselves on a dialogue as to how they could bring about mutual cooperation.

Unfortunately, the North-South Dialogue centres around the quantum of transfer of funds and the appropriate agency and terms of disbursement, technology transfer and so on which skirt around the vital question of how to release the developing economies from the tightening grip of the transnational corporations and the governments dominated by the 'military-industrial complex'.

Militarily and otherwise, these governments back the interests of the transnational corporations and their global activities. The net transfer of resources do not account for more than 1/30th of their military expenditures. The Pearson Report advocated the transfer of one per cent of GNP of developed countries. In fact, it does not exceed half a per cent of their GNP.

The transnationals are reluctant to transfer their closely

guarded secrets and know-how except on terms advantageous to them. They prefer direct foreign investment to other forms of capital and technology transfer. Developing countries are pushed towards the commercial banks under the control of transnational financial oligarchies. In fact, faced with stagflationary conditions, the protectionist policies, detrimental to the larger interests of the developing countries, are being strengthened by the developed capitalist world. This in essence is the politics of the prevailing international economic relations which has constrained even the limited North-South Dialogue. It is, therefore, too early to think in terms of planning for the whole world which is divided into exploited and exploiting nations. The prevailing trend is that the transnational corporations are keen to increase and strengthen their worldwide dominance with the help of local oligarchies. It is not in their interest to establish an international order in which the poor and rich nations will be equal partners. There are, however, regional groupings of countries with more or less similar socio-political conditions facilitating the pursuits of common policies, oriented to their common interests. EEC, OPEC, ASEAN, COMECON, etc., are some such entities which have attempted regional integration through coordinated policies. They could, in due course, try their hands at regional planning at supranational levels.

THE URGE TO PLAN

Developed countries, outside the socialist camp, have not adopted comprehensive planning at the national level. The ideological hesitations on the part of the ruling parties as well as the dominance of oligopolies and monopolies in the national economic scene largely account for the hesitations and reservations on the part of governments in the capitalist countries about planning. The big business organisations have whole-heartedly embraced corporate planning as a means of achieving their long-term goals. But most of them have frowned with suspicion governmental efforts towards comprehensive planning.²³

The Keynesian package of counter-cyclical and growth-boosting remedies has progressively expanded the areas of state intervention. These are generally welcomed and even engineered by particular business interests. As claimed by Galbraith, the "capitalist USA has more controls than socialist India". In fact, about 35 per cent of the GNP in USA is spent by the government sector. But, the fiscal and monetary policies, size and pattern of public expenditure, economic regulations and control, emphasis on performance and result in public expenditure and so on are generally oriented to

short-term objectives of stability of prices, employment and growth. They do not amount to coordination of public and private investment for the achievement of clearly perceived long-term goals. Even forecasting which is quite common in the developed capitalist countries does not necessarily involve state guidance of the economy.

PLANNING AS A SOCIAL PROCESS

In the case of the developing countries, almost all of them have adopted planning as part of their strategy for development. For some, planning is fashionable. For others, it is a passport for foreign aid. Most international agencies have insisted on such plans with a view to preventing proliferation of unrelated projects.²⁴ Some plans may be 'fanciful documents' which try to hide wishful thinking behind a technical facade.²⁵ But most of them recognise planning as the most scientific method of handling their massive tasks of development. Those who are ideologically and politically committed to radical change of the socio-economic framework find planning an invaluable tool of change.

Planning was sometimes narrowly conceived. The narrowness was manifest even in some of the so-called comprehensive plans. Planning no doubt needs specialists. Many technical exercises are involved in plan formulation. Mostly planners have been trained economists. Their discipline is to keep non-economic factors outside their purview of analysis. They did regard some of them as obstacles to development. But they didn't always plan to remove them. It took long for them to realise that "poverty is not merely a condition to be overcome but the major cause of its continuance".²⁶ Economists were, therefore, inclined to prepare technically perfect and consistent economic plans. Planning was, therefore, reduced to a technocratic exercise bereft of socio-economic and political realities. The result was that, on the one hand, the macro and micro quantifications were largely in economic terms. Social and institutional objectives were either ignored or were taken on the sides. On the other, they were unable to assign appropriate weights for institutional factors such as asset and income redistribution, balanced regional development, social mobility, etc. Consequently, the achievement of economic targets themselves was often in jeopardy.

Implementability was another key element which planners tended to ignore. They did not realise that a non-implementable plan is as bad as a technically inconsistent plan. Some made the mistake of a conceptual separation of planning from implementation. Secondly, as a technician, planner was not credited with any special competence

to implement plans. Hence, it was thought that "implementation begins where planning leaves off". Accordingly, when faced with missed targets, economists were more inclined to attribute them to inadequacies in basic data or errors in computing and allocating resources than to socio-political and institutional failures. Unrealistic targets, miscalculation of domestic and foreign exchange resources, misleading assumptions about capital-output ratio, population growth, etc., could certainly be called planning errors which may be minimised by improving basic statistics and by sharpening the tools and techniques of analysis.²⁷ But, at the same time, those who looked at the numbers may often overlook the political and administrative failures that may lurk behind bland figures.

Planning agency was organisationally isolated from the rest of the government. Of course, preparation of the details of the projects and schemes as well as the monitoring of their implementation is the primary responsibility of line and field agencies of sectoral administration. At the same time, the organic link between the various targets and the framework of policies and the instrumental measures is crucial for successful implementation. Targets would lose their significance unless they are backed by administrative and organisational means to implement them.²⁸

The gradual realisation that plans do not implement themselves and that specific measures must be adopted if plans are to be converted from expressions of aspiration to programmes of action, has led to considerable discussion about the role of planners in implementation.²⁹ Planners role in implementation, however, should not be construed as that of a super cabinet. As Waterston has put it, while planning must encompass both the preparation and execution of plans, those who implement a plan may be and generally should be different from those who formulate it. But those who formulate plans must respond promptly to events during implementation by adjusting the plan appropriately. This means that such activities as the preparation and execution of sectoral surveys, feasibility and other preinvestment studies, the preparation and execution of projects and programmes in the public sector, the formulation and application of policies and measures for stimulating and guiding private investment, reporting and evaluating plan progress, etc., are all part of what is meant by planning.³⁰

BOUNDARY POLITICS OF PLANNING

A corollary of such a comprehensive role of planning is that a well-conceived development plan should provide for its implementation. This includes the organisation of the planning function and

its administration, relationship with the chief executive, the policy-making operating departments of the government, and the legislature; the assignment of responsibilities of carrying out its component programmes; the relationship of the plan with national budget; the roles of the fiscal and monetary authorities; the provisions for progress reporting and evaluation; and the selection and training of planning personnel.³¹ The relationships between planners, the chief executive and other members of the political leadership, administrative heads of spending departments and of finance involve a lot of conflicting roles and overlapping jurisdictions.

In the first place, a planner is expected to play an important role in the determination of goals, designing of suitable policies and programmes and track down their implementation with due consideration to their political feasibility and administrative capability. But as one who feels the pulse of the nation, the politician has the prerogative in goal-setting and policy formulation. Since, political executives are accountable to their constituencies for the results, they should normally set the tasks of administration. At the same time, the career executives and agency heads play a prominent role in implementation and a supportive role in policy-making. It is this mesh of relationship which gives rise to jurisdictional conflicts.

Secondly, the differing perspectives of the politician, planner and administrator can lead to conflicting situations. While planners set their eyes on larger national problems affecting ensuing generations, the general run of politicians are preoccupied with short-term problems of political security and the narrower interests of their constituencies. Therefore, there can be a lack of congruence in the goals, policies and priorities as envisaged by the planners and the politicians. For instance, a higher rate of growth preferred by the planner might call for larger effort for resource mobilisation involving the question of who should bear the brunt. Similarly, future oriented long-gestation investment may imply tightening of the belt in the short-run. Similarly, radical land reforms and dissolution of industrial concentration will demand bolder and determined action.

If the outlook of the planner is narrowly focussed on growth he may get frustrated in his objectives. It is conceded that, even within a given socio-economic framework, the rate of growth can be bettered by appropriate measures of asset and income redistribution.³² When multiple goals are to be pursued simultaneously, they cannot be integrated coherently without assigning weights to each of them. Trade offs between present and future, growth and

equity, investment and consumption, national and local interests are imperative in hammering out a politically feasible and economically viable plan.

'Political feasibility' and 'political will' are not one and the same. A small plan comprising of quick-maturing programmes involving minimal mobilisation and change will hardly call for a 'political will' to implement. Yet it will be perfectly feasible politically and administratively. Only bolder plans, involving radical departures, will pose serious challenges to the political leadership. Plans will not be worthwhile if the planners merely conform to the preferences of short-sighted politicians. Nor could the exercise be called a plan if it is not implementable. What then is to be done? The remedy doesn't lie in conferring political power on planners. Political power belongs to those who emerge successful out of the political process. Under certain systems, politicians cannot be expected to be insensitive to projects which will fructify during their time in office or which would benefit their constituency or ensure their security and re-election. In fact, planning cannot survive without the sustained support of the political leadership which would feel fairly secure about its future and could afford to raise its perspectives from the din of short-term palliatives of lasting remedies of basic socio-economic problems. It is only a farsighted political leadership which can give planning function the requisite status and strength from which planners could influence the outlook of the politician and moderate the flippancies of the administrator.

Planners cannot pretend to be neutral between values, systems and ideologies. Any thinking that politics vitiates planning will be suicidal to planning function. If the planner could share with the thinkers among the political leaders a broad understanding of the heritage and maladies of the socio-economic system and their vision about the broad directions of change, it would evoke respect and credibility all around. If, with the technical expertise placed at their command, they could help to crystallise some of the dreams into attainable goals and objectives, embody them in policies and programmes and contribute towards their effective implementation, they could enhance their prestige and inspire confidence.

Goals may be ultimate or proximate. Sometimes, there may be a hierarchy of goals and a matrix of objectives. In an ideal situation, goals of planning are not formulated by a group of technocrats or bureaucrats. They are determined by the society itself. Plans cannot be workable if the goals are unacceptable to large segments of the society. In this process, planners can raise the sights of the politicians and widen the horizons of administrators. They can

help to brighten their vision and clarify their perspective. But, imposing their own goals on others will be self-defeating.

The process of goal setting may vary from society to society; but it will be futile if it is divorced from the people. In the ultimate analysis, it is society which through its political institutions determines how it envisages its own future development. Goal setting is influenced to a considerable extent by the prevailing political system.³³ Hitler tolerated only one set of loyalties within his nation state. Where pluralist loyalties are recognised, attempts are made to reconcile conflicting loyalties. But, in a highly inegalitarian and stratified society consensus will be somewhat farcical. Often, the dominance of a class lurks behind the facade of consensus. 'Modernising autocracies' tend to pursue the interests of the ruling classes more aggressively.

The goals of planned development are influenced by variables such as the distribution of political power in a given situation, the class origins of those who wield power, economic exigencies, etc. But, by a meaningful participation in the process of articulation of the needs and aspirations of society, the planners could sharpen the perceptions of the various participants and focus their attention on the most relevant and important.

The task of the planners is not necessarily to oppose political decisions but rather to lay before the policy-makers the implication of each decision. Imbued with empire building proclivities, the top executives in sectoral administration may tend to exaggerate the benefits and understate the costs of their pet projects and schemes. They may not be inclined and equipped to identify alternatives and evaluate their real worth. They can get carried away by fanciful schemes and grandiose projects. In the same way, local politicians and influential bureaucrats may be in league with the interested groups and be associated with their irrational demands.³⁴

Moreover, the rate of growth, the scale and pattern of investment, policies towards assets and income redistribution, the role of public and private sectors, the approach to multi-nationals, the degree of self-reliance, the incentives and deterrents, regulations and control and so on will inevitably involve choices and trade offs. By educating the decision-makers about the relative costs and benefits of choices made and alternatives foregone, the impact of decisions on interrelated areas and so on, so that decisions are more informed and are based on rational criteria. Most difficult are the choices about fundamental restructuring of property relations and social change. There are also serious institutional implications of economic choices. It is in these areas of hard choices that political will, administrative commitment and ideological

appreciations are most important. The planners can fulfil their educative role by organising their skills and directing their efforts to basic studies and investigations on problems and issues that should engage the attention of discerning public, by taking a leading role in initiating public discussions and by conducting informal dialogues with the leading elements in public life and administration.

The administrators are no easy nuts to crack. They are generally drawn from elite social strata and are imbued with conservative values and ideologies. Often, they are emotionally linked with bastions of vested interests and special interest groups which are sought to be removed. A radical programme of socio-economic transformation supported by the politicians may not therefore evoke the same positive response from the bulk of the administrators. Some take shelter under the myth of civil service neutrality and be indifferent to the fate of programmes they are to implement. The hostility of a few may be reflected in ineffective policies, loopholes in the enactments, deficiencies of rules framed thereunder and the corrupt and inefficient execution. The bulk of them invoke the plan to expand the activities of their respective departments and agencies without caring much about the overall objectives and inter se priorities. Their primary concern is to grab funds to defend the base of ongoing activities, build on them and create new avenues of expansions. Their approach to who gets what and how much is generally departmental in nature. When in collusion with vested interests outside government the correlation of forces will be much more complex.

As a nodal department, the finance or budget agency has been playing a coordinating role by controlling public expenditure and managing the ways and means. But the time horizon within which they operate is the budget year. Raising their perspectives beyond the immediate future is very difficult. Besides, budget agencies cannot easily accept responsibilities for expenditure for which resources are not in sight. Their general lack of enthusiasm about bolder plans and challenging tasks can be explained in terms of their narrower outlook and niggardly ways.

Finance is generally encumbered by a jungle of rules and dilatory procedures. Their movements are slow and halting. Often, they are accused of being "penny-wise and pound-foolish" and of "straining at the knat and swallowing the camel". According to Parkinson, the time spent in scrutinising proposals is inversely proportional to the amount involved. Like a reluctant mother-in-law, budget agencies are generally hesitant about sharing financial control with executives of spending agencies. They are slow to pickup and adopt

modern tools of financial management. The result is undue delays, inefficiencies and ineffectiveness in programme implementation. On the one hand, their niggardly ways and dilatory tactics irritate the spending departments. On the other hand, their conservative outlook and concern for detailed control run against the grains of sound financial management and rational allocation of plan funds.

Moreover, finance looks at the planning agency as a rival centre of allocation of resources without sharing the discomforts of raising them. To the extent fiscal incentives and taxation are the prerogatives of finance, many powerfully organised business groups and even foreign funding agencies and transnational corporations may like to forge close links with various levels of financial decision-making.

Thus, planning can give rise to power struggle and inter-departmental rivalries within the government. Such struggles can manifest themselves at the central-state-local levels in federal forms of government. The sharing of powers and responsibilities between the various layers of government is primarily a political and legal battle around which the forces of centralisation and decentralisation may be lined up. Within the governmental framework, the centre may be willing to share functional responsibilities with the state while at the same time turning a deaf ear against demands for transfer of sources of requisite funds. Resources at the disposal of central level may often be used as a lever of political control over other levels of government. It is not as if the state government will be willing to share generously powers and responsibility with lower levels of government. The politician may be reluctant to part with areas of power and patronage with elected or other elements at lower formations. Any diminution of empire will not be appealing to the administrator. He would normally be reluctant even to delegate powers to subordinate levels. Schemes of decentralised planning may therefore be resisted by a combination of political and administrative interests. When meshed with the organised classes and interest groups the planning process could release a medley of forces which would vie with one another for a share of the national pie. Since the plan is implemented through the budget, the budget records the outcome of this struggle. Insofar as it records the victories and defeats, compromises and bargains, arguments and conflicts, the budget lies at the heart of the political process.³⁵ Harmonising the conflicting interests and harnessing them towards the planned goals calls for political sagacity of a very high order.

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Planning in the Third World

An Overview of Experiences in India

R.B. JAIN

PLANNING IS of particular importance in developing countries, where the government nearly always has the responsibility for the accelerated use of the available human and material resources. Long-term programmes, based on well-reasoned priorities, are invaluable for such countries, as they cannot afford to waste time, people or material. Drawing up plans, usually in the form of five-year programmes for public expenditures, in particular relating to capital formation, has in many under-developed countries become the accepted practice under which the responsible government agencies must look ahead, determine their long-range objectives and agree upon certain priorities in the light of the probable demands of the various sectors of the economy. The programmes of the individual government agencies are usually coordinated by a central planning office in the light of overall available financial resources.¹

GENESIS OF PLANNING IN INDIA

India has attempted to bring about rapid economic and social development of the country through a planned effort. Although an awareness of the importance of planning was manifest in the pre-independence era, realistic and ambitious planning on an all-India basis could not be started effectively until India became free in 1947 and its major problems growing out of the partition of the country and the task of unification of the native Indian states were resolved.

The first effort at introducing social planning in India was made by an individual noted for his pioneering zeal and breadth of vision, Dr. M. Visvesvarayya. In 1936, he published an essay underlining the desirability and feasibility of planning for industrialisation of the country. For the formulation, implementation and administration of the plan, he had suggested formation of a 60-member advisory body with political leaders, economists, businessmen, administrators, etc., and a Planning Commission of 5 to 7

members for discharging day-to-day functions. He also recommended the setting up of a Development Department at the Centre and Economic Councils in the provinces. Though interesting as an intellectual exercise, this could not directly influence any social action or any governmental move.²

In 1937, soon after the assumption of power in the provinces, the Working Committee of the Indian National Congress, initiated planning preliminaries by adopting a resolution, which recommended to the Congress ministries the appointment of a committee of experts to consider urgent and vital problems, the solution of which is necessary to any scheme of national reconstruction and social planning. Following this resolution, a Planning Committee was constituted by Subhash Chander Bose, the then President of the Indian National Congress under the chairmanship of Jawaharlal Nehru. Later in 1944, the Government established a Planning and Development Board and published three 'private development plans--the Bombay Plan, the Gandhi Plan and the People's Plan'.³ A Planning Advisory Board was also constituted in 1946 after the establishment of the Interim Government headed by Jawaharlal Nehru. These pre-independence efforts at planning tend to bring out a certain unity of approach to the problems of national reconstruction inasmuch as each of these plans mooted not only had certain objectives in common but also sought to achieve them through similar means. All the plan proposals explicitly accepted the rapid improvement of the living standards of the people as the central objective of development.

NATIONAL PLANNING SINCE INDEPENDENCE

The central theme of public policy and philosophy of national planning in India since independence has been the promotion of balanced economic development so as to provide foundations for sustained economic growth; for increasing opportunities for gainful employment; for promoting greater equality in incomes and wealth; and raising living standards and working conditions for the masses. The Republican Constitution had already in its Directive Principles of State Policy indicated, inter alia, that India is to be a welfare state, whose economic, social, and welfare aspects were elaborated. The basic principles of economic policy were defined as follows:

1. That the ownership and control of the material resources of the community are so distributed as best to subserve the common good.
2. That the operation of the economic system does not result in

the concentration of wealth and means of production to the common detriment.⁴

The Constitution of India includes the subject of 'social and economic planning' in the Concurrent List. The legal basis for national planning for the country as a whole, therefore, has been provided through a parliamentary statute on the subject. The discussion on the setting up of a planning machinery in 1949 had envisaged the establishment of a Planning Commission and the creation of National Economic Council which would work as an organ of inter-governmental cooperation in the economic and social fields. Following the recommendations of the Advisory Planning Board of 1946, the Planning Commission was established by a Cabinet Resolution of March 15, 1950. The National Development Council was later constituted in 1952.

The terms and references of the Planning Commission were as follows:⁵

1. To make an assessment of the material, capital and human resources of the country, including technical personnel, and investigate the possibilities of augmenting such of these resources as are found to be deficient in relation to the nation's requirements.
2. To formulate a Plan for the most effective and balanced utilisation of the country's resources.
3. On a determination of priorities, to define the stages in which the Plan should be carried out and propose the allocation of resources for the due completion of each stage.
4. To indicate the factors which are tending to retard economic development and determine the conditions which, in view of the current social and political situation, should be established for the successful execution of the Plan.
5. To determine the nature of machinery which will be necessary for securing the successful implementation of each stage of the Plan in all its aspects.
6. To appraise from time to time the progress achieved in the execution of each stage of the Plan and to recommend the adjustments of policy and measures that such appraisal might show to be necessary.
7. To make such interim or ancillary recommendations as might be appropriate on a consideration of the prevailing economic conditions, current policies, measures and development programmes, or on an examination of such specific problems as may be referred to it for advice by Central or state govern-

ments for facilitating the discharge of the duties assigned to it.

It is thus clear that the Planning Commission was established as a staff agency to prepare national plans for economic development within the framework of a federal government, a parliamentary democracy, and a welfare state. The Commission was to suggest, coordinate, phase, and evaluate policies and programmes, although the final responsibility to the people's representatives and to the people remained with the political institutions. Although the states had no planning commissions of similar status, they had special planning departments and mixed (official and non-official) advisory boards to do the planning work. Since 1957, the emerging Panchayati Raj institutions in the villages, the blocks, and the districts, particularly the latter two levels, are increasingly being associated with the formulation and implementation of plan within the range of responsibilities assigned to them.⁶

The National Development Council had the following functions:

1. To review the working of the National Plan from time to time.
2. To consider important questions of social and economic policy affecting national development.
3. To recommend measures for the achievement of the aims and targets set out in the National Plan, including measures to secure the active participation and cooperation of the people, improve the efficiency of the administrative services, ensure the fullest development of the less advanced regions and sections of the community, and through sacrifice borne equality by all citizens, build up resources for national development.⁷

MACHINERY FOR PLANNING

In the planning procedure evolved in India, the role of the Planning Commission is two-fold: (i) to originate policies for development, and (ii) to integrate ideas and programmes for economic development formulated by other agencies in the country into a coordinated whole. The Planning Commission is essentially a non-political advisory body which makes recommendations to the government. It has no sanctions of its own. Care has been taken to organise it neither as a pure research institute, out of touch with the various political, economic or administrative problems, nor as an administrative ministry which is too closely involved in day-to-day affairs and is prone to lack the perspective and detachment

required of a national planning agency.⁸

Organisation of the Planning Commission

The Planning Commission is a multi-member body and the number of members has varied from time to time. In the initial year of its inception, the Commission concentrated mainly on plan formulation.⁹ It was composed of only full-time members. The Prime Minister as Chairman of the Commission provided the needed close relationship with the Central government. But over the years, the Commission got involved in a number of administrative matters and also gathered to itself certain functions of a purely executive nature. The composition of the Commission also underwent a substantial change and a number of Union Ministers were appointed as part-time members of the Commission.¹⁰ It was also recommended that the Commission should submit an annual report to the government on plan performance which should be placed before parliament.¹¹

The Planning Commission was reconstituted in August 1967, on the lines suggested by the ARC, except that the Prime Minister continued to be the Chairman of the Commission and the Union Finance Minister its part-time member. After its reorganisation, it had seven members, two of them are important ministers, viz., the Prime Minister and the Minister of Finance. Five were full-time members who are eminent public men, administrators and technical experts. The composition of the Planning Commission until recently was of only four full-time members and three ex officio members, viz., the Prime Minister, the Finance Minister, and now the Planning Minister who is also the Deputy Chairman. The Deputy Chairman, in addition to looking after the day-to-day work of the Commission, is responsible for plan-coordination, plan-evaluation, administration and servicing, and subjects under the 'economic group'.¹²

Although the full-time members are not ministers as such, they enjoy the status of ministers and are invited to attend meetings of the Cabinet when subjects with which they are directly concerned are taken up for consideration. The four full-time members of the Commission are in charge of one each of the four following groups: (a) industry, labour, transport and power group, (b) agriculture and rural development group, (c) perspective planning group, and (d) education, scientific research and social services group. The Prime Minister of India being the Chairman of the Planning Commission ever since its inception has added considerably to the prestige of the Commission and helped it a great deal in its coordinating functions at the political level. The Prime Minister, however, attends only the most important meetings of the Commission. The day-to-day work of the Commission is looked after by the Deputy Chairman, who is at

present the Planning Minister. The staff of the Commission comprises a number of technical as well as administrative officers and is headed by a secretary.

Internal Organisation

The office of the Planning Commission consists of three types of branches, viz., (i) general branches, (ii) subject branches, and (iii) housekeeping branches. The work in the first two types of branches is primarily technical; of the third, administrative or secretarial.

The general branches either carry out studies relating to the Plan as a whole, rather than to any particular sector, or coordinate the work of the various subject branches. There are 12 general branches in the Planning Commission, viz., perspective planning, statistics and surveys, economic research, socio-economic research, plan coordination, programme administration, multi-level planning, employment and manpower planning, monitoring and information, project appraisal, scientific research, and plan information and publicity.

Among the general branches, the Perspective Planning Branch is responsible for the formulation of long period projection and plans, while the other branches primarily concern themselves with work relating to the five-year or annual plans. One of the responsibilities of the Programme Administration Branches is to assist the Advisers (Programme Administration) in their day-to-day work regarding the coordination of the planning efforts of the states with those of the Central government.

There are fourteen subject branches, viz., agriculture, land reforms, irrigation, power transport, communications, education, employment and manpower, health and family planning, housing and urban development, industry and minerals, village and small industries, social planning, and social welfare. The subject branches of the Planning Commission maintain close contact with their counterparts in the various ministries and the state governments and are responsible for collecting, processing and analysing all relevant information required for the formulation, processing and evaluation of the policies and programmes included in the Plan. They also organise various research studies which are deemed necessary for the purpose of planning in their respective fields either on their own or through competent technical organisations in the country.¹³

The main housekeeping branches are administration, general co-ordination, and organisation and methods. They are staffed mainly by administrative or secretariat personnel.

The plan evaluation work is carried out in the Programme Evalua-

tion Organisation. The Organisation is administrative under the Planning Commission but in all technical matters it is guided by the Programme Evaluation Board. The Programme Evaluation Organisation is headed by a chief director.

While much of the detailed technical work in connection with planning is thus done in the Working Groups, there is need, especially in an economy of the size and complexity of India, to consult on general policy, from time to time, other knowledgeable people also, especially non-official experts, at various stages of formulation as well as implementation of the Plans. These consultations have necessarily to be at different levels--technical, administrative and political. They not only elicit valuable advice and bring fresh views to bear on official thinking but also help in securing for the Plan a greater public understanding and give it a national character. An attempt is made to have such consultations through a number of standing bodies variously known as Council Panels, Advisory Committees and Consultative Committees.¹⁴

The National Planning Council, which comprises seventeen members in addition to the full-time Members of the Planning Commission, covers the entire field of planning. In addition, there are eight panels, consisting of both officials and non-officials having special knowledge and experience in the relevant fields to provide technical advice on matters for which these are appointed, viz., science and technology, economic, agriculture, land reforms, health, ayurveda (an indigenous system of medicine), education, housing, and regional development.

There are also seven Advisory Committees, viz., on irrigation; food control and power projects; policy and coordination; Coordination Committee for Planning Forums; Rural Industries Planning Committee; National Advisory Committee on Public Cooperation; and Committee on Land Reforms.

The other important advisory bodies functioning in the Planning Commission are: (a) Committee on Plan Projects, and (b) Research Programme Committee. The Committee on Plan Projects was established in 1956, with the Union Home Minister as Chairman. The Union Minister of Finance is also a member of the Committee. In addition, the Prime Minister, as Chairman of the National Development Council, nominates two chief ministers of states as members of the Committee for each class of projects. The Union Minister concerned with a project or a class of projects under investigation is also a member of the Committee.

Some of the important functions performed by the Committee are: (a) to organise investigations, including inspections, in the field of important projects, both at the Centre and in the states, through

specially selected teams; (b) to initiate studies with the object of evolving suitable forms of organisation, methods, standards and techniques for achieving economy, avoiding waste and ensuring efficient execution of projects; (c) to promote the development of suitable machinery for continuous efficiency audit in individual projects and in agencies responsible for their execution; (d) to secure the implementation of suggestions made in reports submitted to the Committee on Planning Projects and to make the results of studies and investigations generally available; and (e) to undertake such other tasks as the National Development Council may propose for the promotion of economy and efficiency in the execution of the Plans. The Committee on Plan Projects sets up from time to time, teams composed of technical personnel and eminent public men, to undertake project studies.

The Research Programmes Committee was set up in 1953 to initiate and encourage research on economic, social, administrative and political aspects of development. The Committee, which consists of eminent social scientists, works in close cooperation with universities, research institutions and schools of social work in the country.¹⁵

The Planning Commission was sometimes back reorganised to provide for a more coherent grouping of the divisions in the Commission. There are now divisions dealing with various sectors and their inter-relationship, plan formulation and coordination, and servicing. The sectoral or line divisions have been strengthened so as to equip them fully to undertake long-term sectoral planning, preparation and evaluation of projects and programmes, monitoring of plan performance, and improving the information content in their work.

THE PLANNING CELLS IN MINISTRIES

The existing arrangements for the work of planning differ from ministry to ministry. While all the ministries concerned with the developmental programmes have technical experts, only some of them have separate Planning Cells for the purpose. The Administrative Reforms Commission considered such an arrangement far from satisfactory and recommended that the work of planning in each ministry should be looked after by a separate cell specifically constituted for the purpose.¹⁶ The function of the cell would be to assist the ministry and through it the Planning Commission in formulating a viable plan for the sector with which the ministry is concerned. The cell would undertake the necessary preparatory work to get the required studies and research needed for the formulation of the plan programmes carried out by the executive agencies and other bodies to

collect and maintain economic and statistical data relating to development and to provide necessary technical and other assistance in the working groups and the Development Councils. These would also scrutinise and coordinate the detailed projects and schemes of the executive agencies under the ministry and ensure that the requirements of inputs and administrative implications of each project and scheme have been fully worked out and that the various projects are properly placed. They would also keep in touch with the progress of plan schemes and programmes and prepare the overall progress and evaluation reports on plan programmes now covered under evaluation by the Planning Commission.¹⁷

Although the detailed set-up of the Planning Cells in different ministries and their exact functions can be evolved only after a more detailed study of the requirements of individual ministries, however, practically no progress has so far been achieved in this direction. Advantage has not been taken of the gap of one year which was provided by the decision to commence the Fourth Plan only from 1969, to get sectoral planning better organised through the creation of Planning Cells and similar other agencies.¹⁸

The ARC had also recommended the setting up of an Internal Standing Committee for Planning in each ministry or department. This would consist of secretary, heads of departments and other senior technical administrative officers of the ministry or department. The Committee would give guidance to the cell in its work concerning the formulation of plan programmes and would periodically review the progress of implementation.¹⁹

✓ PLANNING MACHINERY AT THE STATE LEVEL

In addition to the national plans produced by the Planning Commission, separate plans are also prepared for the constituent states of the Indian Union, for Delhi and other Union Territories. These are formulated simultaneously with the national plan and by very similar methods. It is one of the major tasks of the Commission to ensure that all these plans are mutually consistent, compatible with the projected total investment, and in conformity with priorities established by the Central government. The states and other units, therefore, are essentially subordinate planning authorities, even though 'Economic and Social Planning' figures in the Concurrent List of powers granted to the Union and the states by the Indian Constitution.

The Commission, however, does not attempt to do a state's planning work for it. The state has to produce its own draft plan for submission both to the Planning Commission and to its own legisla-

ture. The final state plan, inevitably the product of a compromise between the State and the Centre, is worked out through discussion with the Commission, but it is the state's own planning handiwork that provides the basis for this discussion. The states also produce annual as well as five-yearly plans, and these have to go through a similar if rather simpler form of final processing. The plans of the state governments become binding only after acceptance by the state cabinets and approval by the state legislatures. The responsibility for implementation also rests with the state governments.

Every state, therefore, has some kind of planning machinery in the form of State Planning Departments, whereby, at the very least, proposals emanating from the various state ministries may be gathered together, coordinated, and kept within the total resources likely to be available. To start with, few states had specific whole-time agencies for planning. In course of time, most of the states came to establish special departments in charge of planning while most states have Small Plan Evaluation Organisations, Bureaux of Economics and Statistics, and sections dealing with manpower. No attempt has been made by the Planning Commission to ensure that this machinery is everywhere the same, and constitutionally, of course, the states are free to do their planning just how they like. In general, as stated by V.T. Krishnamachari, in every state, there is a Cabinet Committee, which is in close touch with the preparation of the plans made by the different ministries and supervising implementation. In many states, there are Advisory Committees of non-officials consisting of members of Legislative Assemblies and others whose advice is likely to be useful.²⁰ While it is broadly true, but not very enlightening as there is a considerable variety of pattern and procedure in different states.

The state planning machinery in most cases still remains at a somewhat rudimentary level. Following Planning Commission's frequent recommendations for developing an effective state planning organisation through establishing a Board more or less on the pattern of Planning Commission and the ARC's recommendation to this effect,²¹ Kerala was the first to set up such a board. Though more states have set up State Planning Boards in recent years but still a large number of states are apparently not convinced of the necessity of having any elaborate planning set-up.²²

At the district and block levels, the planning work is done jointly by the officers of the various departments and non-official officers assess the resources and needs of their areas in conjunction with the planning authorities. At the village level, planning

has not made much headway, though farm and village plans have been prepared.

ORGANISATION AND FUNCTIONS OF THE NATIONAL DEVELOPMENT COUNCIL

The Central organisation for coordination of policies and plans of the Central and state governments is the National Development Council. It is a high level policy coordinating body comprising the Prime Minister as the Chairman, and the Chief Ministers of the states and the members of the Planning Commission as members. The Secretary of the Planning Commission acts as the Secretary of the Council. The ministers of the Central Government also participate in its deliberations and make recommendations to the Central as well as the state governments. From a strictly legal point of view, the National Development Council like the Planning Commission is essentially an advisory body. Since, however, it comprises the highest political authority in the country, it has, by convention, acquired a unique position and its recommendations are treated with the highest deference by the Central ministries and the state governments.²³

The meetings of the National Development Council are held at least twice a year; its Standing Committee meets frequently. Various specialised committees may also be formed. This Council has been evolved as an administrative agency to achieve the fullest cooperation and coordination in planning between the Central and the state governments and to ensure uniformity of approach and unanimity in the working of the National Plan. The main functions of the Council are:

- (i) To prescribe guidelines for the formulation of National Plan, including the assessment of resources for the Plan.
- (ii) To consider the national Plan as formulated by the Planning Commission.
- (iii) To consider important questions of social and economic policy affecting national development.
- (iv) To review the working of the Plan from time to time and recommend such measures as are necessary for achieving the aims and targets set out in the national plan.²⁴

The National Development Council gives its advice at various stages of the formulation of a plan and it is only after its approval has been obtained that a plan is presented to Parliament for consideration. The Council has been largely responsible for giving Indian plans a truly national character and for ensuring a

national unanimity in approach and uniformity in working.²⁵

Liaison with the states in the field of planning is also maintained through the Programme Advisers appointed by the Planning Commission. These officers are selected for their intimate knowledge of the working of state administrations. The Programme Advisers assist the Commission in making an assessment of the implementation of various development programmes and advise it on the proposals put up by different state governments. These Programme Advisers, study at first hand the working of the various development schemes, giving greater attention to the more important projects and those in which the Central government provides specific assistance, financial or otherwise. Of these Programme Advisers, three are for programme administration, one each for resources, industry and minerals, constructions, financial, education, labour and employment and social planning, plan information, agriculture, state plans, perspective planning, and irrigation and power.²⁶

Each of the three Programme Advisers for Programme Administration has a group of states allotted to him and helps to maintain close liaison between the Planning Commission and the group of states with which he is concerned. He also gives advice and guidance to the executive authorities of the states and brings their difficulties and problems to the notice of the Planning Commission and the Central ministries.

The planning machinery at the Centre and in the states is being restructured. According to a statement made by the then Minister of State for Planning, Shri Mohan Dharja, in the Lok Sabha on December 20, 1972, the states have been recommended to create an apex body at the state level for formulation and coordination of plans, with the Chief Minister, the Finance Minister, the Planning Minister and technical experts representing various departments and disciplines and that the work of the apex bodies should be supported by steering groups of technical experts in various fields.

To ensure that the apex planning body is effective in guiding plan formation as well as the monitoring of plan implementation, it is suggested that a non-official full-time Deputy Chairman should be appointed incharge of the apex body. The Deputy Chairman will operate through the state planning departments which should function as the secretariats of the apex planning bodies.²⁷

PLANNING AND PARLIAMENT

As in the case of the Central ministries, it has hitherto been the practice to constitute an Informal Consultative Committee of members of Parliament for the Planning Commission. The Informal

Consultative Committee appointed during the tenure of the Third Lok Sabha consisted of 101 members. From 1964 to 1966, the Committee met 22 times; and the highest attendance during this period was 34 and the lowest 3. It has also been the practice since the Third Plan to involve the members of Parliament in the process of plan formulation. A few committees of Parliament are appointed to discuss the different aspects of the Draft Outline of the Plan. The Prime Minister also set up in December 1958 a committee consisting of some members of Parliament to discuss the Plan. This committee was reconstituted in November 1965, with the Prime Minister, five other ministers and eight members of Parliament as members. The attendance at the meetings of this Committee has been better than in the case of Informal Consultative Committee.

In 1968, the ARC in its final Report on the Machinery for Planning, recommended that the Planning Commission should place before Parliament the annual progress reports on plan performance as well as its evaluation reports for discussion in the House. The ARC observed that as Parliamentary time is very limited, it would be helpful if a special committee of Parliament is constituted to go into these reports in detail and make necessary recommendations.²⁸ This committee should consist of about 25 members of Parliament which would include leaders or deputy leaders of the various political parties in Parliament and a few independent members. A similar practice might be adopted by the state legislatures.

The ARC was further of the view that parliament may also consider whether this special committee should not also perform the functions of the Informal Consultative Committee. A smaller committee of the type suggested above might facilitate a deeper probe into the various issues involved in plan formulation. In their view, a departure of this nature from the prevailing practice of setting up an Informal Consultative Committee could be justified on the ground that the Planning Commission is an advisory body and not an administrative ministry.²⁹

There has existed a Consultative Committee, the Consultative Committee of Members of Parliament for the Planning Commission: presided over by the Minister of Planning it comprises those members of Parliament who express a desire to be closely associated with the work of the Planning Commission. The Committee is reconstituted each year at the time of the budget session. Since the committee is consultative in nature, no reference to the discussions held in the meetings can be made on the floor of the House. The Consultative Committee cannot be an effective media for overseeing plan formulation or implementation, as it is the Minister of Planning who decides what information concerning his ministry could be shared

with the members of the Consultative Committee attached to his ministry. At the most, the members can raise questions and seek some information from the minister concerned.

Parliament as a body, cannot effectively scrutinise the voluminous Plan documents based on extensive data, research and specialists' analysis as they are, since it has neither the time nor the expertise for a thorough scrutiny of the varied and complex details of the Plan. The only possible resolution of the problem is to constitute parliamentary committees for the discussion of the draft Five Year Plans. Such committees were first constituted on the suggestion of the Business Advisory Committee of the Lok Sabha in 1956.³⁰ The committees were to arrive at no decision and pass no resolution. Their scope was limited only to expressing views on the draft five year plan, which would be made available to all the members. These were only ad hoc committees and had no specific mandate except to discuss the Plan document.

As these committees also are no effective instruments for overseeing plan formulation or implementation, 'it seems', as argued by S.L. Shakhder, the then Secretary-General of the Lok Sabha, "the best alternative to achieve the desired end may be setting up of a Standing Committee with subject oriented Study Groups to be concerned with the Five Year Plans from formulation stage onwards and more particularly with watching plan implementation and evaluating performance against the physical targets as related to fiscal targets."³¹

As contradistinguished from some other scrutiny committees of Parliament, the proposed Committee may contemporaneously and continuously study and oversee inter alia the priorities, allocations and utilisation of funds, resource position, physical targets and achievements, shortfalls, if any, and suggest remedial measures to be taken in the following year or months in the light of the experience gained or of any unforeseen developments affecting the concerned sector or economy.³² The Planning Commission should also consider laying on the table of the Houses of Parliament annual achievement reports highlighting adherence to physical targets along with fiscal outlays. Besides their own regular studies, the Plan Committee may use these as the basis of scrutiny.³³

PROBLEMS OF CENTRALISED PLANNING

Ever since 1951, when the First Five Year Plan went into operation, right through the formulation of the Fifth Five Year Plan in recent years, India has been following a national policy of central planning for controlled and unified development. This has given

rise to a number of problems in administration. These are distinct from questions of a political nature, such as whether planning should come from above or below; to what extent should society be subject to planning; how the people should be associated in the formulation and execution of the plan; what modifications should be made in the relationship between the Centre and the state which have distinct powers in a federal Constitution so as to make centralised planning effective; who should constitute the members of planning body, etc. Some of the purely administrative questions that arise are as follows:

1. If the planning body is set up outside the normal executive organisation of the government, as the Planning Commission in this country is, should its advisory services be arranged in the existing organisation or should it have an administration of its own for this purpose?
2. To what extent should the Planning Commission concern itself with the details of the Plan?
3. What should be the Planning Commission's responsibility for reviewing the progress of the Plan, and what reports is the Planning Commission entitled to ask for from the executive authorities?
4. What is the mechanism for dovetailing the work of the planning machinery in the states with that of the Centre, etc.?

Although some of these problems had been taken care of in the initial establishment of the Planning Commission and its subsequent reorganisations, it must be confessed that the administrative organisation for planning has grown haphazardly without any systematic examination of these problems. The result is that the Planning Commission today is a huge mammoth organisation--almost "a Parallel Government" in the words of Pandit Nehru--whose thinking often appears as if it is not related to the factual situation in the country. Moreover, in spite of its large staff, it does not appear to have evolved a satisfactory organisation for the collection of such of the basic data necessary for sound planning. The relationship between the planning body and the executive organs, especially in the states, is not also very happy. No procedure has been worked out for an effective control over the progress of the plan schemes.

Few people would disagree that our plans have gone awry. The most important reasons no doubt lie elsewhere in the political field, but the failure to set up a proper organisation for the administration of the plans has also been a contributory factor. Some may question the efficacy of centralised bureaucratic planning,

of the nature of our Five Year Plans in a state which is not totalitarian. Whatever be the views on the subject, if it is proposed to continue the policy of centralised planning, the least that should be done is to reorganise the administration, so as to eliminate overlapping of functions, and to make planning flexible and related to factual conditions.³⁴

THE PROCESS OF PLANNING

India has tried to evolve a procedure of economic planning which is not too rigid or centralised and yet able to mobilise the willing co-operation of the people for a balanced programme of rapid economic development. The procedure evolved falls somewhere in between broad economic policy making as in a country like the UK and detailed economic planning as in a country like the USSR. The nearest parallel to it in Western Europe is the French system of planning. The main difference, however, is that, unlike France, India has a federal structure of government and the achievement of a socialist pattern of society is her avowed objective. Unlike Yugoslavia, she permits private ownership of capital and gives a much larger latitude to the operation of the competitive forces in a market economy.

It is also felt in India that the widespread acceptance of the process of planning by the people and the concerned officials is even more important than the end-results of the planning exercise itself. For, the process of planning essentially means the application in a comprehensive manner of scientific methods in dealing with problems of economic development and keeping in view the inter-relations of different sectors as well as the needs of the future. Active participation in this process by the key personalities in the economic life of the country opens up by itself new vistas of thought and action, creates a new spirit and ambition among the people and generates new forces for accelerating the development of the economy and the society.³⁵

FORMULATION OF PLAN

The procedure of planning that has been evolved in India over the last three decades is specially designed to achieve this objective. It has now become essentially a backward and forward process--an exercise in successive approximation and successive coordination and a combination, on the one hand, of perspective planning, five-year planning and annual planning, and on the other, of national planning, sectoral planning and regional planning.³⁶

The formulation of a Five Year Plan is a time-consuming and complex process. The National Development Council, the Planning Commission together with its Working Groups and the Advisory Panels, the ministries of the Central government, state governments, and above all, Parliament are all involved in this common endeavour. Association with the private sector is secured through various Development Councils and representatives of commerce and industry.

The process as it has evolved over the years has four stages. During the first stage, which begins about three years before the commencement of the new Plan, studies are undertaken to examine the state of the economy and to identify the principal, social, economic and institutional shortcomings. Tentative conclusions reached as a result of these studies help formulate the general approaches to the next Five Year Plan. These are submitted by the Commission to the Central Cabinet. They are placed before the National Development Council which indicates the rate of growth and the broad priorities to be assumed for the purpose of further work of the preparation of the Plan. The ARC in its final report has suggested that the Planning Commission when seeking guidelines from the National Development Council for the formulation of the national Plan should give a tentative framework of the Plan considered feasible by it, and also indicate other alternative approaches calling for different degrees of effort. The basic factors involved, such as the rate of growth, the resources required and the sacrifices involved, should clearly be brought out. Detailed work on the formulation of the Plan should proceed in the light of the guidelines given by the National Development Council.³⁷ The formulation of the Fifth Five Year Plan has followed the procedure recommended by the ARC.

In the second stage, an attempt is made to work out the general dimensions of the Plan in the light of the tentative rate of growth indicated by the National Development Council. The stage ends with the preparation of a Draft Memorandum which outlines the main features of the Plan under formulation.

In the third stage, work is directed towards the preparation of the Draft Outline of the Five Year Plan in the light of the observations made by the National Development Council on the Draft Memorandum. It is also commented upon by the states and the Central ministries and after approval by the Council is circulated for public discussion. It is then considered by an Informal Consultative Committee of members of Parliament as also by Parliament as a whole.

The fourth stage relates to the preparation of the final report on the Five Year Plan. The Planning Commission, in association with the concerned Central ministries, holds detailed discussions with state governments regarding their Plans. Discussions are also held

with representatives of major organised industries in the private sector through various Development Councils as well as Chambers of Commerce and Industry.

In the light of the points thrown up during all these discussions, the Planning Commission prepares a paper bringing together the principal features of the Plan, the policy directives to be stressed and the issues which may require further consideration before the Plan is finally drawn up. The paper is submitted to the Central Cabinet and the National Development Council. The final report on the Plan is based on the conclusions reached on this paper. A draft of the final report is considered by the Central ministries and the state governments and it is then submitted for approval to the Cabinet and the National Development Council. Thereafter, it is presented to the Parliament for discussion and approval.³⁸

Perspective Plan

Keeping in view the basic political and social objectives of the government, the National Planning Commission carries out first a number of econometric and other technical studies regarding the perspective of long-term development and prepares a perspective plan covering ten to fifteen years, mainly in broad physical terms. This perspective plan is prepared on what is known as a 'rolling' basis and primarily as an internal exercise, preparatory to the formulation of the next Five Year Plan. For instance, when the Second Five Year Plan was prepared for the period 1956-57 to 1960-61, the perspective plan was for the period 1956-57 to 1970-71. This enables each perspective plan to take note of the new facts which have come to light or changes in technology which have taken place since the previous perspective plan was prepared.³⁹

Five Year Plan

When the Commission lays down the lines of a Five Year Plan, it has before it a perspective of development over a longer period. The period may be different for different sectors of the economy, ten years for some, fifteen years for others; and even a longer period for some others.⁴⁰ The Five Year Plan is then formulated in the light of the perspective plan but unlike the latter it is not currently prepared on a 'rolling' basis. The first step in the preparation of a Five Year Plan, which is formulated both in physical and financial terms, is to make a number of projections, for demand and supply for the next five years in the light of the current trend of economic forces and keeping in view the perspective plan and the accepted model of development. The model of develop-

ment may change from plan to plan according to changing circumstances.

On the basis of the preliminary exercise of the type described above a few key figures, e.g., population projection and targets for national income, savings, investment, employment, etc., are worked out on a provisional basis in the Planning Commission. A number of working groups at the Centre and in the states then proceed to formulate tentative plans for their respective sectors or regions in the light of these key figures.⁴¹

When the recommendations of these working groups are available, a process of balancing begins in the Planning Commission of various goods and services against demand of exports against imports, of raw materials against finished products, of production against consumption, of savings against investment, of financial resources against physical resources, of employment against labour force, of training programmes against manpower requirements, etc. Allowance is also made for contributions likely to be made by human factors, e.g., improvements in skill and efficiency. Although an attempt is made to ensure the maximum possible balance in the Plan, some imbalance is often found to be unavoidable. This is sought to be adjusted through monetary and fiscal measures as well as physical controls.⁴²

This sort of exercise is first undertaken for the preparation of a draft outline of the Five Year Plan and then repeated for the preparation of the final report of the Plan. In the latter exercise the provisional key figures which were used as the basis for the draft outline are reviewed and made firm in the light of comments by various authorities and organisations in the country. The draft outline of the Plan is published several months earlier than the date when the final report of the Plan is to be discussed and is discussed widely in the country, in the press, universities, Chambers of Commerce and Parliament. At the same time, the Central ministries, state governments and the district (15 to 20 blocks) authorities not only give their comments but also work out their provisional plans in the light of the broad targets given in the draft outline. All these comments and plans are then examined and coordinated at successive higher levels and ultimately utilised by the Planning Commission for the preparation of the final report of the Five Year Plan.

In preparing the Five Year Plan, programming techniques of various kinds--budgeting, the method of balances, inter-industry tables, linear programming, etc.--are utilised in a selective manner for the overall economy, for different sectors and/or different purposes. The most common methods are, however, the first two. It has not yet been possible to make much use of inter-industry tables

or linear programming except in limited fields.⁴³

Although the Fifth Plan did make use of a detailed inter-sectoral consistency model arrived at through linear programming, attempted from time to time, they are more the result of compliance with instructions from higher authorities than serious attempts at planning based on scientific compilation and analysis of data which lie beyond the capacity of most of village level workers and organisations.

The Annual Plans

For effective implementation of the Five Year Plans, it is necessary to frame annual development programmes within the framework of the overall plan. These are included in the annual budgets of the Central and state governments. The preparation of the annual budgets also affords an opportunity for reviewing and adjusting the broad annual phasing indicated in the Five Year Plan. Annual planning provides for flexibility in the implementation of plan programmes in accordance with the development of the economic situation from time to time.⁴⁴ It is through the instrument of Annual Plans that the objectives are translated into action programmes. Further, a five year programme is necessarily based on certain major assumptions. In a predominantly agricultural economy like ours with its proverbial dependence on monsoons and with an acute foreign exchange stringency, a rigid phasing of programmes over a period of five years is just not possible at the time of the preparation of a Five Year Plan itself. Annual Plans thus occupy a position of importance in our development strategy.⁴⁵

The ARC, therefore, recommended that the preparation of an Annual Plan must be preceded by a careful review of the progress of the developmental programmes under execution and also a reasonably accurate appreciation of the private economic activity. Further, since both the Central and the state governments operate through the mechanism of annual budgets, the annual planning and annual budgeting have to be more or less simultaneous and coordinated process.⁴⁶ It was also pointed out that in the name of annual Plan what was attempted was essentially a review of the annual capital and revenue budgets and the criteria used were not very different from the normal financial scrutiny. The whole process of plan discussion was crammed into three days for each State and two days for each Union territory. It was, therefore, a race against time and decisions were taken in great hurry.⁴⁷ Thus, it was suggested that the time table for discussion should be so organised as to make a meaningful discussion possible and that these may be concentrated on broader issues like resource mobilisation, appraisal of performance in key

areas and requirements of major projects. The Progress and Appraisal Reports should be available in good time and these should be used for discussing steps to improve future plan performance.⁴⁸

The object of the Annual Plan is to ensure a year-by-year progress so as to achieve the five-year targets and a dovetailing of one five-year span into the next.

The annual plans highlight differences from year to year between actuals and estimates over the five year span so that the leeway to be made up is known. The annual plans introduce flexibility in respect of sectorwise and industrywise investments and their effects.

PLANNING AND THE PRIVATE SECTOR

The ARC noted a lack of adequate collaboration between the Planning Commission and the private sector in the planning of industrial development. Although there were occasional consultations with the private sector, but such consultations on the whole have been inadequate and confined to the formulation of the Five Year Plans only. Annual plans were finalised without any association of the private sector and even without a reasonably clear appreciation of the developments in that sector. Since the private sector has to play an important role in the national scheme of planned development, it was necessary to create satisfactory institutional arrangements which would provide for consultations with the private sector and thus give it a greater sense of participation in the planning process.⁴⁹

The ARC was not satisfied with the functioning of the Central Advisory Council on Industries and the various Development Councils which had been created by the government for consultation with the industrial sector. These did not help much in planning for the industrial sector. The Central Advisory council was too large a body and could hardly be expected to make any significant contribution to the planning process. At best, it could only provide a forum for a general discussion on plan policies and programmes and might be used for this purpose. The Development Council on the other hand could be made to serve as a useful instrument of industrial planning. For the purpose of development planning, these councils have generally been ineffective.⁵⁰

The ARC was of the opinion that a lack of proper leadership and adequate technical support have been the main reasons for the failure of the Development Councils to assist in the planning of industrial programmes. To make them more effective, the ARC suggested that at the time of the formulation of a Five Year Plan,

the concerned Development Councils should be requested to prepare their own plans in the light of general guidelines to be given by the Planning Commission, and to send them to the concerned ministries. Further, a few representatives of the Development Councils concerned with major industries should be associated with the formulation of the industrial programmes at the time of annual plan discussions.⁵¹

DECENTRALISATION IN THE PLANNING SYSTEM

Regional Planning

Regional planning is considered as a problem in spatial integration and financial coordination of the settlements. It is as important and essential as Local and National Planning whether in India or in any progressive country irrespective of its geographic character and political philosophy. A plan for geographical decentralisation of development in agriculture or industries or selected services involves the regional approach, but it is not regional planning and there is a tendency to confuse one with the other. Of course, the rational approach to a development problem is as important as regional planning. The existence of regional economic disparities is an essential pre-requisite for adoption of regional planning as a corrective measure.⁵²

The absence of regional planning is a gap of a peculiar sort in Indian planning mechanism. Planning in India has been sectoral rather than spatial. As a result, regional or area planning in the scientific sense of the term has never been introduced in the country so far. The plans at the state, district, block or village levels are no more than break-up of sectoral programmes or, more accurately, schemes of departments. Regional approach is itself a somewhat new and has yet to be assimilated in the planning strategy. Planning units in India are also the administrative units, although planning regions cut across the traditional administrative boundaries. These have to be co-related with certain natural or economic homogeneities, e.g., metropolitan regions or river valley areas. The identification of such homogeneous units for planning has yet to be attempted in a serious manner in India. Regional planning not only involves just coordination of various sectors of the economy in the region, but it visualises planning as a dynamic process of development emanating from certain growth centres or central places. In this way, there is a hierarchy of such central places or growth centres, each linked up with another. During the Fourth Five Year Plan, with the help of Ford Foundation funds, such an approach was attempted to be evolved in the pilot projects on

growth centres. However, the work of these projects went on rather slowly, and its product was not available for consumption even at the time of the formulation of the Fifth Five Year Plan, in whose foundation the regional approach should have been integrated.⁵³ 37

District Planning

The planning process at the district level constitutes a very important element in the Indian framework of multi-level planning. The context of such lower level planning is determined by the place of planning at the national level as the most important, single unified instrument of government intervention and participation in the economic system for purposes of overcoming backwardness and making the system move to develop its productive potential. Thus in important areas of agriculture, small industry and a number of social services, district planning is the instrument for bringing about self-sustaining economic development avowedly pursued by our organised power system.⁵⁴

One of the chief defects of Indian planning is that while at the aggregative level, concepts of national planning tend to be sophisticated and advanced and economic models of perspective planning and material balances are prepared, planning at the ground level is extremely weak in the absence of techno-economically sound projects. A district plan has to be a 'design of development' for the district. The design must consist of a cluster of techno-economically sound projects in all sectors of the economy. These should be meaningfully inter-linked in such a manner as to ensure optimum returns from the resources locally available and those supplemented by plan funds.⁵⁵ The technique of project-planning is not yet adequately appreciated by the development administrators at the district level. Concepts like a market and demand analysis, factors governing size and location of enterprises, an income and expenditure budget, a break-even analysis, a cost-benefit analysis, time-scheduling and a scientific organisation and professional management relating to each enterprise have not yet found place to an adequate extent in district planning. It is this which goes to explain the tardy implementation of plan schemes. Management of plan schemes thus leaves much to be desired.

The district planning as practised in an Indian district is thus primarily a process of data-collection at lower levels in which implications of such data for various programmes are worked out (informational decentralisation) and final decision-making is not delegated to lower levels (absence of decision-making decentralisation) are liable to be generalised because we place this outcome, inter alia, on the model prescribed by the Planning Commission

itself.

Leaving out projects covering more than one district, the rest of the overall state outlay is distributed among the various districts in each sector. Here too, the sum of the district plans prepared initially is pruned and adjusted to fit in the overall available outlay for the state. Since the time for finalisation of district plan is rather short and that the planning personnel are also not very much experienced, the adjustments are made more on an ad hoc basis rather than on a careful consideration of the economic usefulness of the various schemes. It would not be wrong to say that the plan, prepared by the district authorities in consultation with the local representatives and sent to the state government for approval, has little in common with the final district plan as sanctioned by the state government.⁵⁶ Thus the district and lower level departments do not (and possibly cannot) base their plan proposals on an integrated development strategy and have fairly accurate perceptions about the ultimate disposal of their plans and schemes at the state level. Hence, they do not take more interest and pains than are functionally consistent with final state-level decision making.

The Guidelines leave hardly any initiative to the district and block level officials. The continuation of supervisory and super-seding roles in a hierarchical way to agencies far removed from the field does not seem to go well with the emphasis on decentralisation to bring the knowledge of time and place to bear on lower level plan decision-making. Because of such a system, plans prepared at the local level are modified at higher levels, without reference to the former. Concentration of allocative functions at higher levels and lack of knowledge (not to speak of relative autonomy) about financial and real resources render the lower level decision-making about programmes and projects non-operational. In this respect, the role of divisional level officers (which could be functional in allowing for the incorporation of inter-district implications) seems to be overstretched. Uniform norm fixation for programmes from above also does not seem to be based on an actual faith in the instrumentality of district planning. Tubewell programme, etc., are shown to have suffered on account of these archaic practices. Continuance of urban-rural compartmentalisation, implying as though there is nothing which needs to be planned in the small urban sector in most districts, is also a symptom of the lack of introduction of a proper regional dimension in district planning, which is, after all, supposed to be a meso-regional planning exercise!

In such a target-splitting type of district planning, departmentalism survives to render coordination superficial and unplanned, to

be tackled in the course of implementation on day-to-day basis through the Plan Implementation Committee. This Committee should more appropriately be an instrument of flexibility, progression, concurrent monitoring and evaluation rather than an agency for taking ad hoc planning decisions.

POPULAR PARTICIPATION IN DISTRICT PLANNING

The planning system in India is hardly geared to popular participation, which at concrete contents and political level should be the most important *raison d'être* for lower-level planning. It, however, gets lost in the ritual of the bureaucracy contacting 'progressive farmers' which, due to the divorce between district planning and land reforms (a presence of the revenue department), leads to mechanical, bureaucratic and sectional responses. There is hardly any involvement of social, economic or professional organisations in either the elaboration or implementation of planning.

Weaknesses in District Planning System in India

The logic of district planning as the instrument of state intervention for rural development, within the larger framework of multi-level development planning, is compelling. However, district planning, as it is actually operating in India, leaves much to be desired.⁵⁷

One of the major problems of effective district planning is a stubborn persistence of departmental or sectoral planning rather than spatial planning where the district space becomes the unit. This persistence of 'departmentalism' is actually built into the existing structure of administration where the spatial boundaries of a district collector's area of control, i.e., the departments operating in his district, overlaps with the sectoral boundaries of a secretariat department's area of control, i.e., the units of the department functioning in each district. Clearly, the elimination of this fundamental dysfunctionality between the requirements of district planning and the existing structure of administration would require a very bold attempt at reorganisation from the state level downwards in an administrative system which has entrenched and consolidated itself over a long period going back to the colonial era.

As the planners at the district level are not told to make any specific assumptions regarding changes in the price level, the task of ensuring consistency between physical and financial target is defaulted. The district planners do not plan an inter-related mix of instruments and policies equal to the task of implementing program-

mes of agricultural extension and development. In view of the fact that such 'planning of plan implementation' is not undertaken even at the national level planning, such an outcome is inevitable. Thus, the important instrument of supply of critical agricultural inputs for realisation of desired cropping pattern or yield targets is not utilised in a planned manner and that the consequences in these respects result from public action is despite the 'plan'. Similarly methodology for coordination with central, state and private sector projects located in the district has not been built into district planning.

District planning, thus, is more a formality than a reality. In fact, to call it planning, a lot of terminological liberalism has to be commanded. Hence, the operational failures in agricultural, rural infrastructure and social services programmes, witnessed in the country, are attributable to lack of real, effective planning at the lower levels.

PRESSURE ON THE PLANNERS

The techniques of planning that the Planning Commission employs, which involve wide consultations and extensive publicity, provide opportunities for the effective exertion of a variety of organised pressures. This is advantageous to the extent that the pressures can be absorbed, or that the people exerting them can be persuaded to accept compromises. It is disadvantageous to the extent that the Commission is compelled to diverge from economic rationality, to raise hopes doomed to frustration and to seek fictitious 'agreement' by the use of the familiar 'on-the-one-hand-but-on-the-other' formula. Both the advantages and disadvantages, however, are the essence of any planning in a political order based on conciliation.⁵⁸

At the NDC meetings, most chief ministers of the states as usual demand laying greater emphasis on programmes and projects that would win them electoral support, particularly in the rural areas. Specific demands vary from state to state, but rural drinking water, rural housing, and village approach roads are generally regarded as winners. On such matters, there is, as might be expected, considerable unanimity among the representatives of state governments. In the discussions on the draft Fourth Five Year Plan, there was also a general demand for more decentralisation of the planning process. This was usually presented as a contribution to efficiency; but its main aim was to give the state governments more elbow room to cater for the 'felt needs' of the people.

Such demands are not new nor are the accusations that the Plan-

ning Commission wishes to curtail the states' plans in order to expand the central plan, and exercises excessive control over state plan expenditure. There is some substance in both charges, but obviously the degree and kind of decentralisation of economic decision-making in a federal or quasi-federal country, where planning is 'concurrent' (joint responsibility of Centre and states), cannot be determined solely by reference to the people's alleged 'felt needs'. Much depends upon the relative administrative capacities of the states and the Centre. In estimating these, one must consider the inherent disadvantages of remote control. Much also depends on resource scarcities and on the extent to which the centre believes that the coherence of the plan is bound up with rigid insistence on certain priorities. The most important factor of all, however, is the political strength of the states vis-a-vis the Centre. This has been increasing since the elections of February 1967, and except for a brief period of emergency during 1975-77, the states have been putting greater pressures on the Centre for increased demands.⁵⁹

On plan priorities and the allocation of responsibilities, the states of the Union of India can sometimes unite against the Centre. On the principles governing the division among themselves of total Central assistance, as on the location of Central projects, they are at odds with one another. The allocation process has always been a balancing act in which political considerations have been weighed against those of economic rationality; the act becomes more delicate as each state develops independent political consciousness. Nevertheless, their inevitable disunity on this issue gives the Centre some freedom of action and an ability to 'divide and rule'. So far, the Commission has shown marked diplomatic skill in dealing with the problem. Wisely, it has refused to lay down firm and unambiguous principles of allocation, thereby giving itself maximum freedom in state-by-state negotiations. In this field, the much criticised, 'on-the-one-hand-but-on-the-other' line of approach has its advantages. Probably, if such negotiations remain the responsibility of the Commission, it will continue to listen to the advocates of the various 'principles' without irrevocably adopting any of them.⁶⁰

THE BUSINESS' ATTACK ON PLANNING

'Business' has always been critical of India's plans--more critical, perhaps, than it would have been if the Planning Commission had involved itself more closely in their formulation. While, for the most part refraining from any condemnation of planning as such (in view of the manifest advantages it has derived from the planned

expansion of infra-structural services), it freely expresses its dislike of the planners' 'doctrinaire' emphasis on the public sectors, their predilection for enforcing priorities through strict controls, their advocacy of higher taxation, and their alleged preference for sticks rather than carrots. Some representatives of the private sector, inspired by the writings of Professors Friedman and Bauer, and the propaganda put out by the Forum for Free Enterprise, have even accused the Commission of Soviet-type methods and totalitarian ambitions.⁶¹

Recent Changes in the Planning Strategy in India

Soon after coming into power in 1977, the Janata Government, headed by Prime Minister Desai, proposed a radical transformation of the Planning Commission. It had two main features. First, the Planning Commission was no longer to be saddled with the short-term plans of economic and social development. Secondly, it was asked to switch over from micro-planning to macro exercises in plan formulation and its implementation. In other words the Planning Commission's role was to confine itself to 'indicative planning' of the kind that the late Prof. D.R. Gadgil, a former deputy chairman of the Planning Commission had favoured.⁶² In addition, the new planning strategy was to be based on the concept of 'Rolling Plans' which visualised prepassatory work for plan well in advance, leeway to planner for carryover from one plan to another, and continued revision as years roll on to improve perspective.

Another noteworthy point of the reconstitution exercise during Janata Government was that in addition to the Finance Minister, the Home Minister and the Defence Minister were also included in the Commission as full members.

These changes, however, raised some doubts and apprehensions. It was feared that the enhanced representation to cabinet in league with bureaucracy may well render the Planning Commission as another department of the government, divested of all its autonomy and independent thinking.⁶³

New Orientations in Planning Contents

Efforts have been made in the past to improve the social and economic conditions of the poorer sections of the society. However the benefits of the plans have generally failed to reach the weaker sections and backward areas in a perceptible measure. Therefore emphasis has been placed on decentralised planning (both block level planning and district level planning) and Panchayati Raj. All plan documents also accept the importance of popular participation in the planning process as a sine qua non of successful planning and

imparting training for good citizenship and modernisation.

Another qualitative change pertaining to industrial policy of planning is recognition of developing small and village industries and the need to be provided assistance and concessions not because they are weak and need protection (this has been the approach in the past) but because these industries are the growth springs of the economy.⁶⁴

Instead of an exclusive preoccupation with achieving a high growth rate of the economy, in the past, the character of plan documents have now become employment-oriented with emphasis on removal of poverty and promoting general welfare of the masses. To translate these into reality, there is now an urgent need to change planning methods to relate promise with performance, outlay with results, and formulation of proposals with implementation. For this it is necessary to start planning from below, from the village and factory level, instead of starting from the top.

If a development block comprising 50 to 100 villages were taken as the basic unit of planning and the villagers were associated with formulation of proposals, many of the evils characterising planning in the past would be removed. Panchayats or specialised bodies like Vikas Samitis would have to be made responsible for formulation of development plans. They themselves will provide detailed surveys of resources and manpower available in each case.

Planning in the industrial sector should proceed from the individual factory upward to cover the whole industry and from there proceeding upward to cover the entire industrial field. The working out of input-output relations and coordination between various industries as also inter-sectoral relations between agriculture and manufacturing industries will be the primary function of the Planning Commission. It is in this context that the concept of a rolling plan becomes relevant.

The Crisis in Indian Planning

While reviewing the planning process and evaluating the progress of India's Five Year Plans, Prof. Hanson raised a key issue whether the main instrument of Indian Planning--the Planning Commission itself possessed the requisite knowledge, status and organisation needed for such an institution? In respect of knowledge, it was well endowed. The leading economists, econometricians, and statisticians on the staff of this body and of the associated Central Statistical Office, housed in the same building, were men of high ability and exemplary devotion to duty, well acquainted with all the most up-to-date planning techniques.⁶⁵ With their expert assistance, India, as Prof. Wilfred Malenbaum said, "has articulated its deve-

lopment programme; at greater length and with greater care and skill than has any other country". Admittedly, the statistical and other data available to them were defective--grossly so where agriculture and the 'unorganised' sectors of industry were concerned; but India was far better off in this respect than most of the other underdeveloped countries and no effort was being spared to achieve greater precision and computer coverage. However, if one was to criticise the Commission on the score of the knowledge, there were only two major points that needed to be made:

- (a) The first was the inadequate use that it makes of sociologists. The social obstacles to economic development in India are so serious that to undertake a continuous and scientific investigation of them, in order to plan their circumvention, would seem to be an elementary requirement. Yet the Commission has no Division devoted to this purpose, and scarcely any sociologically qualified personnel. The results of this omission are writ large in the plans. Like most Indian intellectuals, the planners tend to regard caste, perhaps the most formidable of the barriers, as a kind of guilty secret to be tucked away out of sight. There is no evidence that they have ever seriously considered it as an essential item in the sociological data of planning.⁶⁶
- (b) Connected with this failure of sociological insight is the physical isolation of the planners in *Yojana Bhawan*. These men are essentially bureaucratic intellectuals. Most of these have had field experiences, but few of them recently. Isolated in the artificial environment of New Delhi, they quickly lose the feel of India's towns and villages. The District Officer or BDO is no doubt prejudiced--and perhaps not a little envious--when he describes the Planning Commission as an 'ivory tower'; but he is not entirely wrong.⁶⁷

These two factors have at least some responsibility for the lack of sociological realism that has characterised a great deal of Indian Planning, and in particular for the persistence with which the Commission has sometimes pushed elaborately devised schemes which the field administrator knows to be well-nigh hopeless.⁶⁸ Despite the reorganisation of the Commission in 1967 and the subsequent changes in its personnel, procedures and institutions, the above criticism still by and large remains valid. Neglect of paying proper attention to social obstacles to economic development in India is very serious, the results of which are apparent in the plans.⁶⁹

Although the status of the Planning Commission had been an object of persistent attack since the 1960s, Prof. Hanson was of the opinion that there were strong arguments to retain it in that shape. "Any attempt to cut down the Commission to size", he warned, "would be to sacrifice the very necessary prestige it enjoyed for the sake of so-called constitutional and administrative theory."⁷⁰

There were certain disadvantages which could not be denied. The techniques of planning for instance tended to get mixed up, at far too early a stage, with the politics of planning, and the power of the politicians on the Commission tended to inhibit the expert officials from producing genuinely independent advice and developing an esprit de corps. But, as Hanson argued, these are faults which can be corrected without any fundamental change in the Commission's status. Such a change would make planning less, not more, effective. "To remove the Ministers from the Commission, to reduce it to the status of a purely advisory body, to deprive it of representation on committees charged with policy execution, and to place elsewhere the responsibility for pruning and co-ordinating the plans of the states would be to sacrifice much that has given Indian planning its admitted superiority over planning in most of the other developing countries."⁷¹ Although the ARC's Interim Report did favour the idea of reducing the Commission purely to the status of an advisory body, without having any minister on its staff, the idea did not find acceptance with the government and the 1967 re-organised Commission retained the same status, with only marginal changes.

The planning procedures are also highly sophisticated. The process of plan formulation is enormously complex and plan implementation leaves unmentioned the equally vital task of evaluation for which the Commission has the assistance of two specialised agencies, the Programme Evaluation Organisation and the Committee on Plan Projects. Although the machinery available is adequate but it has not been used with vigour and understanding. So far as procedure is concerned, Commission's only conspicuous failure is in respect of planning from below at the district, block and village levels. Because of the conditions obtaining in India, even a Commission of supermen cannot be expected to achieve much progress.

A fundamental line of criticism suggests that Indian planners rely too much on bad data. Consequently they over-emphasise the big aggregate of heterogeneous items and neglect detailed and concrete analysis of social and economic microcosms. Such deficiencies have probably meant too much outlay on the more easily measurable sectors, and too little (and too wasteful) outlay on education and agriculture, where detailed field research is needed to predict responses to expenditures. Further (both as cause and effect of this

imbalance), planners knew little about the rates of return on many of their most important proposed schemes.

This relates to short-run problems too. If the expected rate of return on projects in various sectors is not known, then the response of such rates to drought or inadequate aid cannot even be guessed. Intelligent short-run response requires contingency planning well in advance of a crisis, so that costs can be minimised when the crisis occurs. Intelligent long-run planning requires investment criteria, so that we know what (and whether) we are maximising. Neither contingency plans nor investment criteria make sense if we are completely in dark about rates of return in key sectors. This criticism applies to British planning as much as to Indian, but it matters more in India, because its plans are commitments in action, and because India, being poor, can less afford waste.⁷²

Over the years, the Commission has developed a collection of orthodoxies which have become less and less relevant in India's socio-economic situation and less and less helpful to the cause of the planning growth. Reading the succession of Five Year Plans, one develops a suspicion that much of the time the Commission is engaged in ritual bowing before idols whose clay feet are becoming ever more obvious. These idols, of course, have not been constructed by the Commission itself; they are the work of its political masters. Arguably, the Commission, as a body of servants, must make due obeisance and dutifully work within a political philosophy including the socialist pattern, economic equality, planning from below, *panchayati raj*, and the Industrial Policy Resolution of 1956. But the Commission is not just a body of servants, it is a highly political organisation, and in any case, since it presumably accords top priority to maximum economic growth, it might be expected to subject this collection of interlinked shibboleths and panaceas to continuous critical examination.

If in our Planning Commission men are able, organisation is adequate, the procedures are intelligently devised, the question arises why our plans run into crises?

First of all the crises are there because of the heavy weight of tradition, poverty, the comparative stagnation of India's established export market and the uphill task of developing the new ones, transition from night-watchman state to a development oriented one. But while giving due credit to Indian planners for their achievement, one cannot ignore the widening gap between the aims and achievement because the Indian planners have not treated our economic situation with sufficient objectivity and farsight when basing plan documents on a series of unrealistic suppositions.

Secondly, the Commission and the government have consistently based their plans on excessive expectation of the possibilities in every direction and have never thought deeply enough about ways and means of mobilising existing attitudes and motivation for the cause of economic growth. This is more evident in their rural development policies. The causes of this unrealism are complex. Partly it is a hangover from the independence movement, partly a product of the misinterpretation of foreign (particularly Soviet) experiences. Lastly, it is the obstinate persistence of the belief that the unity and enthusiasm generated during the struggle for independence can be maintained in the post-independence period for constructive purposes. And partly, it is due to isolation and even alienation of the Indian intellectual from the Indian masses and society. "But insofar as it involves the attempt to his Soviet type targets by un-Soviet type methods, its source is largely to be found in the powerful pressures, from all but those who have to find the financial ways and means, in favour of setting goals which are far beyond the most optimistic estimates of available resources".⁷³ Thus the major problem of India's planning is how to attain an adequate rate of economic development without sacrificing democratic values. Overplanning, in the sense of setting targets in excess of mobilisable resources is hardly helpful. The second kind of overplanning based on excessive regulation of private enterprise may prove self-defeating. Such ideology of planning combined with bureaucratic predilections may deflect planning from the path of common economic rationality.⁷⁴

And finally, plans have failed because of defective and half-hearted implementation efforts. Planning cannot succeed unless planners consider it an integral part of their task to establish the kind of administrative systems which can formulate and carry out development plans realistically. But this is rendered difficult by the persistent gap between the kind of administrative reform which is needed as well as possible. Basic to proper implementation of plan programme is pre-investment planning. Another task of importance is the need for efficiency and economy in project construction followed by requisite efficiency in their administration, so that it is possible to get increased output from investment in programmes. The need to reorganise planning and administrative procedures to achieve respective action and initiative at each point in implementation cannot be over-emphasised. Further, the existing system on reporting and progress and shortcomings in implementation has not been found to be effective. Unless the implementation takes cognizance of the dynamic character of the plans and programmes and unless these are managed according to the twin principles of

efficiency and justice, there is very likelihood of a gap arising between the plans and their implementation. The need of the day is to eliminate this gap.⁷⁵

The Work of the Reorganised Planning Commission

Reviewing the work of the Planning Commission after its reorganisation, H.K. Paranjape, a noted economist, remarked that the expectations aroused by the reconstituted Commission have remained most unfulfilled.⁷⁶ The major success of the Commission has been in the field of Centre-State relations in planning. Despite all the criticism that states, particularly those having different political ideology and complexion, have levelled against the Commission, there is less dissatisfaction in states now about Central assistance and other important federal planning problems.⁷⁷

But in many other respects, the Commission's record is disappointing. Whether one examines its own internal organisation and personnel policy, or the effectiveness with which it has been able to begin a reform of sectoral and regional planning agencies, one sees little evidence of any significant improvement. The Commission itself is certainly a more disciplined body today as compared specially to the Commission which it succeeded. But it has hardly adopted any changes either in its personnel policy or procedures which indicate a change from the bureaucratic and hierarchical organisation which its critics--including the ARC--thought quite unsuitable for the functions it has to perform. Similarly, in spite of the postponement of the formulation of the Fourth Plan to April 1969, it hardly introduced any of the innovations in plan formulation which had been emphasised for a long time.⁷⁸

Evaluating the role of the Commission Paranjape further observes:

The real failure of the new Commission however lies in this--that at a time when basic policies and approaches were being questioned all over the country and there was a climate when people were looking for remedies, it gave no real lead in thinking. Maybe that much of the political controversy was superficial; maybe that the leaders advocating radicalism for better attaining the oft-repeated socio-economic objectives were either ignorant or insincere. But was it not the function of a Planning Commission to give a lead to new thinking at such a time? If the much talked about 'ten point programme' was superficially conceived, could not the Commission have put forward better conceived alternatives for institutional change as well as development as a basis for public discussion? What efforts did it make to build conveyor-belts between itself and important sections of leader-

ship so that its thinking and proposals would percolate downwards? In a democracy, no major changes are possible without creating favourable public opinion. But the Commission hardly attempted to establish regular liaison with important sections of the leading elites. This is not to say that the Commission should actively participate in every current controversy or try to build in on every important issue that the Government is faced with. But does not the Commission have a major educating role to play--especially by way of helping the creation of an increasingly informed opinion among leading sections about the implications of development planning for socio-economic goals? Is the Commission to act as an expert 'back-room' body--does it not have the responsibility to act as a 'lobby' for growth? What is obvious, however, is that many of the recommendations that have been made for reform--by the ARC, its Study Team and by other critics--and on which there was considerable unanimity, have not been even attempted.⁷⁹

CONCLUDING OBSERVATIONS

Although Paranjape's observation may be too harsh but it is, however, clear that administration cannot operate in a vacuum and the social conditions around have undoubtedly an impact on the nature and practice of administration, more so in developing nations which have accepted the planning process as a device to utilise fully the resources of the country since planning implies a total effort in which the administration and the public have mutually interacting roles. Planning also throws a greater responsibility on the administration and its agencies to provide for the well-being and comfort of the people. No government which has accepted planning can remain a passive spectator to the wide regional and social disparities prevalent in society; to do so, would be to deny the very rationale of planning itself.⁸⁰

The conclusion one can draw is that the administrative implications of planning for development in India have turned out to be deeper and more far-reaching than had been supposed. They involve new administrative relationship between existing agencies and also between non-official representatives and administrative and technical services functioning together in a new and complex network of institutions. At each level a large number of activities have to be brought into a common frame and, at the same time, their efficient execution has to be assured. Many of the relationships and processes implicit in this situation are not yet sufficiently clear.⁸¹ In this background simple solutions may not be of much avail, but a

simultaneous attempt will have to be made in terms of taking a realistic account of the available resources, avoiding the attitude of 'overplanning', more as a political move of raising false expectations among the masses, concerted efforts towards reforming of procedures to achieve responsive action and initiative at each point of implementation, better coordination with numerous public and private agencies and finally, what is more important is creating a sense of confidence among the people for the whole 'Planning System' and its acceptance by them through eliciting public cooperation and support at every level of plan formulation and implementation.

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Planning of Plan Implementation in India

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FAILURES AT the level of plan implementation are generally considered the Achille's heel of Indian planning. Here, an attempt is made to show the need for and place of 'planning of plan implementation' in the Indian planning process. Our contention is that the absence of such a practice, deriving, partly, from the lack of proper perception of the problem, plays no small role in the limited effectiveness of Indian plans.

I

An important reason for confused understanding about the concepts of plan implementation and planning of plan implementation (decision-making about the institutions, policies incentive schemes, etc., needed for carrying out the plan in its totality) arises from the want of a clear and consistent distinction between the two. This is reflected in the theoretical position concerning the various components and stages of the planning process. It will be readily agreed that the planning agencies are expected to produce a 'plan' (a document) for a specified period of time which embodies concrete programmes of investment, production and resource utilisation in consonance with the plan objectives. It is further likely to be agreed that a plan cannot stop at the point and must further embody a certain set of institutions, policies, information channels, incentive and evaluation schemes (whether they already exist or are created afresh) which will ensure the most effective realisation of the concrete programmes contained in the plan. In planning, 'efficiency' (ensured by the choice of concrete programmes) is not enough until a methodology for making it 'effective' (through planning of plan implementation) is also chalked out.¹

The need for planning of plan implementation springs from some structural-institutional characteristics of the planning process and some features of the environment in which the choice variables of planning exist and operate. As far as the first consideration goes,

it is observed that, in principle, and, to a large extent, even empirically, planning agencies are different from implementing agencies. In fact, it is more appropriate to speak to a planning agency, because the plurality of actual agencies engaged in planning have to operate under a unified command. This is because national economic planning introduces some centralistic elements in the form of a central planning agency, whose decisions are to be carried out by a large number of other agencies in the public and the private sectors. National level economic planning, even given the multi-level, multi-agency nature of the exercise, leads to the creation of exclusive decision-making groups. Given the operational nature of plan decisions and the complex organisation and large size of the economy, it follows that there takes place a certain type of separation between those who take decisions and many others who execute them--with or without varying types and degrees of participation in decision-making. Except in a 'single component economy', national economic planning necessitates a central planning agency which is different from a host of other agencies concerned both with planning (in a subsidiary manner) and execution of plans. The institutional separation between plan-formulators and plan-implementors is the crucial consideration which gives rise to the problem of instituting means and measures, agencies and scheme of incentives for implementing the plan.

It is true that the Indian economy is not a 'planned' one² and the institutions of private property, markets and profit and price mechanism do provide a self-executing mechanism for decisions arrived at in the private decentralised sector. However, there also exists a fairly large public sector and a big and growing programme of public investment through comprehensive planning. This is coupled with the problem of regulating, controlling and activating the private decentralised sector (with its organised and the vast unorganised segments). In these sectors of the economy there do not exist agencies with their own autonomous drives and such rational decision-making practices concerning the mechanism of carrying out planned tasks which square with the objective function underlying the planning exercise. Thus plan fulfilment consistent with objectives requires that in these sectors planning of plan implementation is undertaken. True, the application of principles of rational decision-making (praxiology) for the realisation of social goals throws up concrete programmes. However, this by itself does not ensure the implementation of these concrete programmes until a further set of decisions about the mechanism of implementation is also made. Even this is only a necessary condition and not a sufficient one, because actual implementation depends upon many

other technical, physical, socio-psychological and economic considerations which obtain at the operative level.

In that segment of India's basically commodity-relations based decentralised economy where planned decision-making obtains, (i.e., the public sector) there takes place some kind of a bifurcation of central decision-making functions from the decentralised actual implementation of those decisions. Thus because the 'visible hand' of planning intervenes in the national economic processes, the link between a plan and its execution has to be provided by planning of plan implementation in order to ensure 'effectiveness' of planning in terms of close correspondence between the objectives and targets and the results of plan implementation. If what Pigou called 'secondary planning' were not to be undertaken, the visible hand of planning would be left groping in an area which is delineated but remains poorly lighted.³

That planning of plan implementation is necessitated by the separation of decision-making from implementation can also be seen when we observe the atomistic structure of firms in a perfectly competitive capitalist economy, where each firm is, for its range of operations, both a planning and executant agency rolled in one. Because of the absence of such a separation, the price-profit-market mechanism of such an economy appears as an automatic (self-regulating and self-executing) mechanism run by the Smithian 'invisible hand'. In such an economy, no separate institution of agencies, policies information links and incentives is required because those who make the decisions also implement the decisions.

This brings us to another ground on which the need for planning of plan implementation crops up. In a private enterprise, decentralised economy, those who make decisions, do so with reference to their own individual motives and interests. They are themselves the principal. Unlike them, the central planners are agents, who make decisions on behalf of society, or at least, on behalf of the dominant classes or powers of the society. This coupled with the consideration of institutional separation of planners from implementors, requires the institution of specific modes of stimulation for the groups or individuals who 'implement' and for those who 'plan'.

This brings us to the second group of considerations concerning the environment in which the choice variables of economic planning exist and operate and give birth to the planning of plan implementation as a necessary condition for effective planning. Just as various programmes and projects, and their different combinations and permutations are choice variables in a planning exercise, with different degrees of correspondence with the objective function, there are, over a given period of time, a number of alternative

institutional-organisational arrangements, policy-mixes, schemes of incentives, etc., out of which a number of alternative combinations can be hammered out yielding varying degrees of effectiveness in planning. Hence choices must be made concerning the implementation mechanism of a plan.

Such a choice becomes all the more important because various programmes and activities of a plan require various types of arrangements and policies for implementation. There may well be areas in which the operation of these arrangements and policies comes into conflict with each other, at times to reduce each others' effectiveness and at times to nullify each other's effect. Similarly, various choices can be mutually reinforcing. Hence these decisions must, of necessity, be coordinated in order to ensure that their direct and spill effects do not counteract. Then, these decisions concerning planning of plan implementation are not of 'once-and-forever' variety; they have continually to be adjusted to new situations. Hence constant review and fresh decision-making in a coordinated fashion are needed alongwith each 'plan' in the field of choice of instruments, agencies and policies.

It is true that the organisational structure of a partially planned market economy cannot possess that degree of malleability which is characteristic of a planned economy applying economic planning as an overall organisational management principle for the economy as a whole and for the entire range of its operations.⁴ However, for a market economy, in which, the state assumes the role of imparting 'socially' determined dynamism to it and adopts economic planning as the overall, unifying framework of public policy for the purpose, as is the case in India, there can neither be a total rigidity of institutional-organisational framework, nor can there be what Peter Wiles calls institutional *laissez faire*.⁵ Planned institutions and organisational change which follows the requirements caused by the scale and pattern of planned intervention, directly in the public or state sector and indirectly by way of making private operations broadly correspond to social norms and desiderata is an essential corollary of economic planning as the unifying principle of state intervention. This basic need is not affected by the degree to which the scope, range and intensity of planning are partial and limited.⁶ The considerations of scope, range and intensity of planning mainly impinge on the amplitude and complexity of planning of plan implementation.

It will avoid needless controversy to emphasise at this point that in any economy which allows to economic planning the type of role we have envisaged in the foregoing will at decentralised, operational level make such decisions which are akin to or substi-

tutes for planning of plan implementation. Without deciding about agencies, institutions, policies and their inter-connections, no plan will take off the ground. The issue really is: whether these decisions are ad hoc, partial, impromptu ones taken, so to say, as and when the need arises, each practically independent of the other, or are they centralised ex-ante consistent decisions, weighed for their socio-economic consequences. That is to say, it is their planned or unplanned nature, which constitutes the core of our arguments.

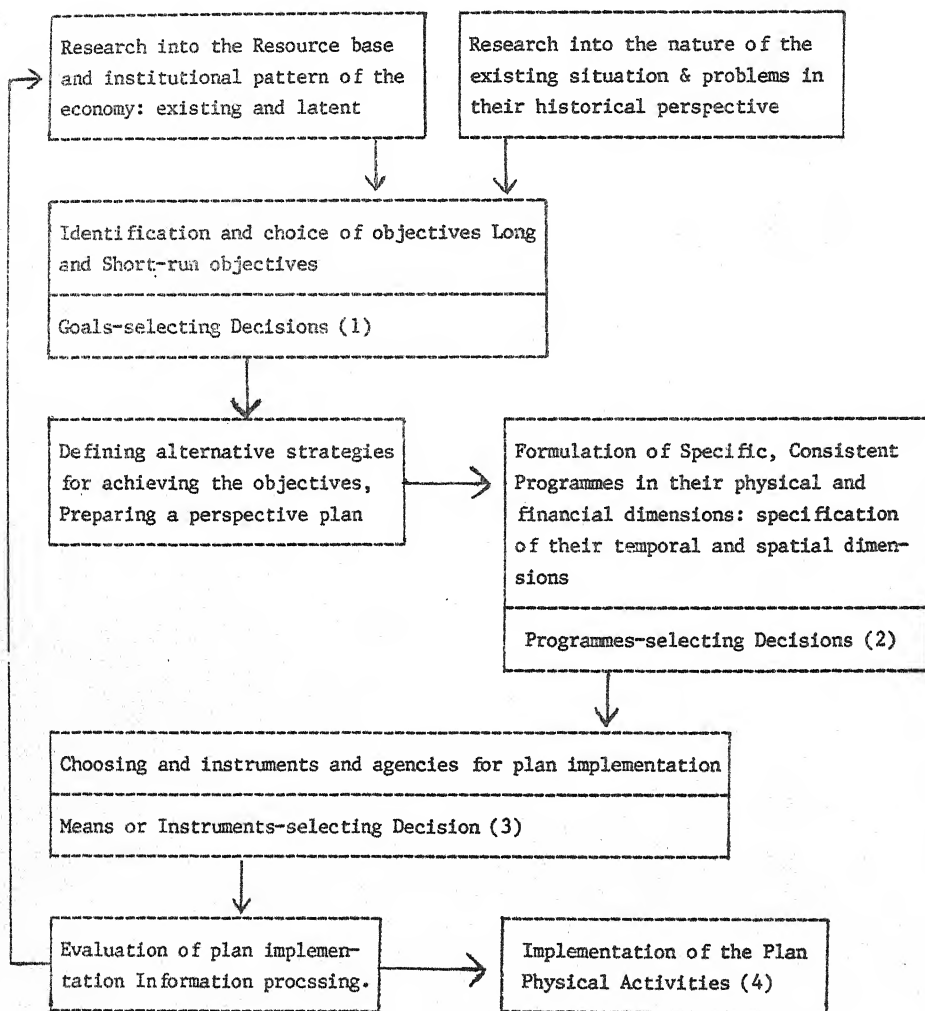
Thus, it can be concluded that programme formulation and formulation of the mechanism of programme implementation should be distinguished as separate steps in the process of plan formulation. The nature and relevance of the distinction can be brought out by viewing the process of plan-formulation as consisting of three stages, given below:

- (i) **Goal-determination** consisting of conscious adoption of objectives as a derivative of the teleological nature of planning. This is clearly a political decision and can be called the stage of **goals-selection decisions**.
- (ii) **Goal elaboration** resulting into a set of specific, timed programmes which rationally and consistently make for the realisation of the objectives chosen. These decisions may be called **programmes-selecting decisions**.
- (iii) **Goal attainment** consists of decisions about the institutions, policies measures and their inter-relationships which make for effective operationalisation of the selected programmes in order to achieve the goals decided upon. This stage of the process of plan-formulation can be described as **instruments or means selecting or mechanism-devising decisions**. We call these decisions falling within the purview of planning of plan implementation.

The analysis so far enables us to distinguish plan-formulation (encompassing planning of plan implementation) from plan-implementation. The former is the domain of economic planners *per se* while the latter is the province of economic administrators.⁷ Needless to say the two are mutually inter-related in many intimate ways. A diagrammatic presentation of the planning process showing its sequential steps is presented in Chart 1.

A diagram of the planning process which shows its sequential steps is presented in Chart 1. It focuses on the conceptual separateness of the various steps, as well as, on the mutually inter-acting nature of the steps. After the last series of opera-

Chart 1 THE PLANNING PROCESS

**Note:**

1. Each stage necessitates decision-making. Two types of decisions: (a) Working hypotheses (for arriving at 'b' type of decision) (b) Operational decisions represented in the Chart by (1) (2) and (3) sub-boxes.
2. Activities are represented by broken line sub-box (4)
3. Perceptions, where there are no sub-boxes

tional decisions, i.e., instruments or means-selecting decisions, the process of formulating a particular plan ends. Then it is taken over by actual executants. Two points may be noted at this stage. First, concurrent monitoring and evaluation and consequent changes in various planning decisions are not shown in Chart 1. Second, there can be various means for involving the executants in the process of plan formulation (and, certainly, for good reasons).

Sub-boxes (1) and (2) and (3) indicate operational 'decisions' and the sub-box with broken lines (4) indicates 'activities'. In any exercise where operational decisions, as in sub-boxes (1) and (2) are taken and lead on to activities, as in sub-box (4), it is inevitable that some operational decisions akin to those indicated in sub-box (3) are made. However, the point is: Are these decisions ad hoc, impromptu ones, taken from moment to moment, sometimes by the planners and sometimes by the operators and any one such set of decisions is not as a rule and in a meaningful and consistent manner related to other such decisions or are these decisions planned ones, i.e., centralised, conscious (ex-ante), consistent and based on calculations regarding their adequacy, efficacy and relative cost in a broad sense.

Our contention is that insofar as the planning of plan implementation aspect is shrouded in conceptual confusion in Indian planning, the sub-box (3) decisions (which had to be made because some activities (sub-box 4) are based on decisions indicated in sub-boxes (1) and (2) are basically unplanned decisions. These 'decisions' are based on mostly the operator's perception of standard procedures which are applicable to the task under execution and which might, in course of time, acquire the nature of set procedures for dealing with such situations. Of course, there is a constant feedback between standard procedures and set procedures.

It is not implied that no decisions are made at the stage of actual 'plan implementation', there cannot be a total break between 'activities' and 'decisions'. However, what is implied is that decisions made by the executants during the process of implementation centre round the basic decisions made at earlier stages, particularly at the stage of planning of plan implementation. These decisions are, *ex-definitione*, decentralised and are subsidiary to the macro-level planning of plan implementation.

Our conceptualisation of the process of plan-formulation in which planning of plan implementation constitutes an organic part of the process has its counterpart in theories of decision-making. 'The series of decision' concept defined 'as the total number of decisions which are made in the process of obtaining a goal' is initiated by an 'input decision' (high policy decisions) and

consists of 'a series of intervening decisions' which are analytically of two types: 'programming decisions and implementation decisions'.⁸ This model is represented by Antonio Ugalde in Chart 2.

Chart 2 SERIES OF DECISION MODEL⁹

Input Decision	Beginning of series	Formal Decision	End of Series
	A	Programming Decisions	B Implementation Decisions

In a non-planning policy context, the 'programming decisions', are separated from the 'implementation decisions' in time by a formal decision. But a plan encapsules the entire series of decisions and hence programming decisions and implementation decisions together with the 'input decision' constitute the process of plan formulation. Even Antonio Ugalde maintains that "in order to understand the decision-making processes we have to look at the series of decisions in its totality."¹⁰ In fact, the formal decision only underlines the separateness of the two sets of decisions without undermining the importance of any for 'the successful achievement of an input decision'.¹¹

Our emphasis on 'means or instruments-selecting decisions' is not oblivious of the great complexity of the task of undertaking such an exercise. The point is that operational planning cannot wait for prior theoretical and methodological perfection but as with many other givens, makes use of existing theoretical tools and insights. In this sense a planner has to overcome the "seductions of scientism which confuses scientific method--the systematic application of reason to the materials of experience with some preferred set of scientific techniques--say of measurement or experimentation".¹²

Planners as planner are connected to these three sets of processes. After completing these three steps, one cycle (in a 'formal' sense, because of continuity of planning) of the process of plan formulation is over and the planners embark on constant review, progressing and redesigning or readjustment of the plan as it undergoes implementation, which, apart from helping the execution of the present plan, prepares the planners for undertaking the next round of plan formulation. The plan, embodying these three sets of decisions, is ready for implementation and henceforth becomes the domain of actual executives, cooperators or state-owned enterprises. This is the stage of plan implementation. That is to say, conceptually where the process of plan formulation ends, the process of

plan implementation begins. Naturally, the two processes are closely inter-related and there has to be good deal of feedback between the two. The relationship between what we described as the third step of the process of plan formulation, i.e., instruments-selecting or mechanism devising decisions, and plan implementation is particularly close. This is brought out by the process of annual planning which is both the formulation of an operational plan in the framework of a medium-term plan and an instrument for implementing the medium-term plan.¹³

In view of the foregoing, questions may well be asked about the factors behind the imprecise and very little, if any, attention which has been given, both at theoretical and practical levels, to problems of planning of plan implementation. In this connection, it must be noted that questions concerning the mechanism of the economy (its organisational management structure), or what is called the question of 'economic model'¹⁴ in Polish discussions has received a great deal of attention in socialist planned economies. However, in the literature dealing with problems of economic planning which has grown over the years in the western, or more precisely in the Anglo-Saxon, economic theory, the questions under discussion presently have practically been sidetracked. This appears to be partly because the organisational structure of a private enterprise market economy is characterised by a certain type of unification of decision-making and implementing organs. Even in the sphere of public policy, decision-making and implementation are largely the common concern of public bureaucracy because in these economies, it is very rare to come across comprehensive, integrated policy planning for all the economic activities of the state. The domain of state intervention is of incremental magnitude only. Moreover, there are many socio-political constraints on the applicability of social control over the organisational-management structure of economy and its flexibility in this respect. Thus economic theories which take their empirical context with reference to these economies are not faced with a macro-level problem analogous to planning of plan implementation. Also, the economies of planning which developed in the West, implicitly took its terms of reference to be, *mutatis mutandis*, the same as those of private enterprise market economies.

As these theories of planned economies developed in the image and footsteps of general equilibrium and neo-classical theories, which deal mainly with what Kornia calls 'production sphere' and neglect 'control sphere'¹⁵ these theories do not raise questions which arise under planning because it is closely interconnected with both these spheres. Thus both practical as well as epistemological obstacles prevented the question of planning of plan implementation from

occupying its rightful place. In India, the planners based themselves largely on the western theories of planomics.¹⁶ Hence Indian economists too largely evade the question of planning of plan implementation.

II

The means or instrument-selecting decisions made at the goal-attainment stage of plan-formulation constitute planning of plan implementation. These decisions make a choice of, or indicate criteria and principles for the choice of instruments, policies, agencies, information and incentive schemes and bring about an operationally relevant degree of harmony and consistency between the various policies and instrumentalities adopted and/or forged. This exercise falls within the purview of economic planning in the sense that the process of plan formulation cannot be said to be complete unless planning of plan implementation is undertaken as an integral part of the exercise of plan formulation.

Planning of plan implementation must be distinguished from the problems of internal (micro-level) organisation and management for various government departments and agencies (boards, commissions, authorities, corporations, etc.) private sector and cooperative agencies and joint sector units which undertake the implementation of various programmes and projects in terms settled by the overall, macro planning of plan implementation. As pointed out in the earlier section, decision-making at the time of and/or during the process of plan implementation by the executants involves subsidiary decision-making at micro-levels. This is different from the macro-level, central problem of planning of plan implementation.

Decision-making at the micro level by the implementing agencies involves: (i) programming the individual projects, (ii) actuating or providing the necessary leadership, and (iii) exerting the controls in order to examine whether work on the plan of action is proceeding as programmed.¹⁷ The influence of management science principles and concepts on the above and its close similarity with PPB technique can be readily seen. These tasks and problems, legitimate agenda for agencies and personnel actually implementing a specific part of the plan, do not directly concern the central planners. If such an involvement of central planners were to exist, we would have obtained the model of 'perfect centralisation' which is known to be a non-feasible, non-operative theoretical limiting case.¹⁸ But given the absence of such hyper centralisation, there still remain some problems of planning of plan implementation, which arise from the inexorable centralistic elements introduced by the

introduction of overall, national economic planning. It is the scope of such planning which is decisive for determining the scope of planning of plan implementation.

Plan targets, it is true, may not be attained thanks to factors related either to planning of plan implementation (a central level problem) or to actual execution of individual programmes or projects. It argues for the importance of both without, however, obliterating the distinction between the two. For keeping the lines of demarcation between the two sharply separated, we may call the micro-level problem of the actual executants the problems of 'management of programmes and projects' and the macro level, central, overall, *ex-ante* problems of planning of plan implementation those of 'management of plans'.¹⁹

It is now clear that 'planning of plan implementation' and 'plan implementation' are two distinct, separate activities. It is true that the two are closely related because even when economic planning generates only a 'plan' and not a 'planned economy' (as in India) the bulk of planning decisions are operational and the results of their implementation have to be related to planning of plan implementation in the next round of planning. Notwithstanding the constant feedback relationship between the two, their conceptual, analytical and institutional separateness emerges quite clearly. While planning of plan implementation is an economic problem for social scientists to deal with a problem of planomics--plan implementation belongs to the domain of technical and management sciences, business administration, personnel management and some specific segments of public administration. Even in the light of the prevailing social division of labour, the separateness of economic planners and economic administrators (concerned with plan implementation) is well recognised.

The nature and scope of planning of plan implementation in India cannot be the same as it is in planned economies though a lot can be learnt in terms of general principles by a study of their planning experience.²⁰ This follows from the role assigned to economic planning in the Indian economy which is different from that in planned, socialist economies. In order to clarify the issue, let us have a look at the various, theoretically possible roles of economic planning in an economy.

It is possible to distinguish three possible roles for planning. First, emerging as a necessary corollary of a socialist economy, economic planning, as the most powerful social instrument of control and regulation of economic life and development for realising social rationality, changes an economy into a planned one. Second, economic planning provides the unifying, harmonising framework for various

policies and macro and micro instruments which are being used for several purposes. It strives to make all these policies and instruments consistent in order to serve some overriding objectives. This kind of role for planning emerges in situations in which state intervention becomes essential for bringing about structural, non-incremental transformation of the economy in the face of basic rigidities and distortions. Third, planning itself is a specific instrument of economic policy like monetary, taxation, public debt, wages and incomes and public expenditure policies. The first role necessarily is the second one, but not vice versa; moreover, it is also consistent with the third role.

~~In India the systemic character of the economy rules out the first role.~~ Hence, it is basically an unplanned economy in which planning performs the second role in order to regulate and activate the economy for ushering it into an era of self-sustained economic development. The market institutions and commodity relations retain their basic operationality. In this framework, public expenditure and receipts, especially public investment, and their impact on overall savings, investment, national income and their sectoral proportions become the crucial variables on which the plan projects and programmes act.²¹

Planning of plan implementation in such a context has to be concerned with the economy in all its institutional complexity, though each sector would require a different kind of approach because the scope of planning of plan implementation is different in these sectors. Given the nature of Indian economy, the problem of planning of plan implementation can be considered with reference to the following three sectors, though inter-sectoral coordination is no less important:

1. Public sector (in the broad sense, comprising all governmental agencies.
2. Private organised sector.
3. Private semi-and unorganised sector.

Though "any workable plan provides for its own implementation",²² it has to be recognised at the outset that the sense in which the public sector plan is operational cannot be applied to the private sector 'plan'. So much so that planning of plan implementation in the sphere of public investment has to be concerned both with fresh investment and operation of current capacities. This is because, in a given year, the planned increase in capacity is a fraction of existing capacity²³ and the operation of given capacity and facilities, apart from generating investible surpluses, is in our market

environment a powerful tool for controlling and regulating the private sector. The level of output, product-mix, cost of production and pattern of resource-use and generation in the public sector are crucial for all the parameters relevant for development. Without planning of plan implementation in this field (as is the practice in India, arising from misplaced 'operational autonomy' of public sector and misplaced division of public expenditure into 'plan' and 'non-plan' categories) we will not be able to have planning in the second sense discussed above, but will rather end up with "fiscal budgets for public investment".²⁴ Such a central level exercise limits the scope for counter pulls and pressures which arise from unplanned, and uncoordinated operations of such a vast and multi-organised state machinery as the one which exists in India.

The basic components of an exercise in planning of plan implementation for India's public sector can, broadly, be considered analogous to the structure of the problem in planned, socialist economies, except for some complicating factors. One such complication arises from the problem of mobilisation of investible resources from that large segment of the production apparatus which is not under direct public control.²⁵ Another complication, or limiting factor, crops up because of public sector's vast network of linkages with the private sector, including its inadequately integrated parts. Made greatly difficult to deal with on account of such complications, the following are the interrelated components of the process of planning of plan implementation for the public sector in India:

1. **Determination of the organisational structure of the public sector:** This is the question of deciding whose responsibility it is to do what or to bring into being agencies for specific planned tasks and to decide upon the pattern of relationship between these agencies.²⁶ Decisions have to be made about the degree of structural and decision-making decentralisation in the public sector. More concretely, it concerns the numbers, level of authority, scope of operations and size of public sector planning and executant agencies.
2. **Determination of indicators-instructions scheme (the information system):** Depending on the choices with respect to organisational structure, there follows the degree of informational decentralisation essential in the public sector agencies.

Plan implementation is predicted upon the flow, speed, scope, relevance, accuracy and intelligibility of the commands, directives and/or information with respect to concrete tasks

of production, product-mix, methods of production, prices, savings, investment, inventories, etc. How are these communications to take place? How far the signals provided by the price mechanism are to be supplemented and/or replaced by open instructions and in which areas? It is here that the issue of instructions versus indicators is to be settled for each specific medium-term plan.

In this context another issue concerns the relation between government budget and medium and long-term plans.²⁷ The operationalisation and planning of implementation of the Indian Five-Year Plans has an important problem of temporal phasing, i.e., preparation of annual plans within the framework of a Five - Year Plan and operating it through the Annual Budgets of the Central Government, state governments and a large number of other public agencies. The annual plan or what is called 'Annual Development Programme' (ADP)²⁸ becomes "an instrument for orderly adjustments in the plan as the economic situation unfolds itself". It is also "an important instrument for achieving the targets of the plan".²⁹

Information system for the public sector would require comprehensive and up-to-date data-base covering the entire economy. It also covers issues of concurrent monitoring and evaluation, which have progressive and corrective roles in planning for implementation.

3. **Institution of Incentives-Mechanism:** Without appropriate and adequate scheme of incentives, planning of implementation cannot be effective and get off the ground. The question of wages and incomes policy, tax policy, role of material and non-material incentives, the need for an appropriate price policy for the wage-goods as also for the products of public sector enterprises, etc., is crucial issued in planning of plan implementation. It is a very sensitive area of decision-making in which hard political choices will have to be combined with meticulous economic reasoning. An indication of the difficulties inherent in this sphere can be had by appreciating the non-applicability of such polar anti-theses between direct administrative policies and indirect market measures. There is a fairly large overlap between the two.³⁰

This brings us to the planning of plan implementation for the private sector. Socialist, planned economies, insofar as they allow a private small commodity production sector to exist, also face some such problems. However, given the vast size and big role of the

private sector in India, the problems of planning implementation for the private sector present themselves as fish of different kettle. If the programmes and targets formulated for the private sector have to be more than mere forecasts or expected course and magnitude of action providing global information framework for private decision-making as under indicative planning,³¹ a number of consequential decisions about the means, measures and policies for directing and regulating the private sector become essential. The problem of planning implementation takes the form of implementing a central strategy in a decentralised model.³² The choices in this field are far more diverse than is suggested by the dichotomy of implementation either through enforcing a structure of prices arrived at in an iterative manner till the process of relay and re-relay gives an optimum solution or through open commands (in physical terms) for ensuring a consistency planning model.

Though it is neither possible nor necessary to spell out here the details of wide range of choice of means and tools, it may well be pointed out that no pure choices of either/or variety are made in real life. Many votaries of indirect price-mechanism based controls themselves suggest regulatory innovations of a different kind for some specific purposes, like 'industrial investment'³³ schedule', new joint sector institutions, etc. In fact, if a plan is competently prepared and inspires confidence, then it can be expected to produce 'announcement' and 'self-enforcing' effects for aiding the process of plan-fulfilment for the private³⁴ sector. The exercise of planning implementation for the private sector creates the need, above all, of not only introducing specific tools and policies for specific tasks but of ensuring consistency between these measures in order to minimise, if not altogether remove, possible friction and counter tendencies among these measures. It is here that the importance of a 'plan-frame'³⁵ becomes relevant.

diff. in
The basic components of the process of planning of plan implementation for the private sector remain, *mutatis mutandis*, similar to what they are for the public sector. For one thing, organisational structure of the private sector is not under state control to the same extent as is the public sector. Thus restructuring has to take place within the limits defined by the character of private property. The same consideration limits the scope of information (alongwith its quality and reliability) obtainable from the private sector. The decision-making concerning the organisational structure has to embrace redefinition of the role of the public and private sectors as also introduction of innovations like joint sector, decomposition or delinking of various facets of private property like raising of finance, exercise of specific forms of control, and

management and limits to powers of appropriation. This links up with the question of incentives. Since mostly it is the investment behaviour of the private sector which is sought to be directed and controlled by the plan, a scheme of incentives has to be based on specification of a complex investment function, which is a very exacting task, particularly for the less-integrated segments of the private sector about whose investment decisions very scanty statistics is available. The question of incentives schemes in the form of fiscal, monetary, credit, wages and incomes, imports and exports, regional balance, employment and technology policies, etc., is far more complex and important for planning of implementation for the private sector. The epistemological obstacles, referred to earlier, which stood in the way of recognition of the problems of planning of implementation, also lead to the creation of paucity of analytical tools and principles which can guide decision-making in this field. The unplanned decision-making or substitution of 'management of plans' by 'management of projects and programmes' and transfer of this process to the central level are the inevitable result of non-recognition and non-operation of planning of plan implementation for the private sector.³⁶ It is no wonder that it leads to the mounting of a huge and complex network of controls and regulatory devices which act like spokes within spokes and turn out to be counter-productive. Even if conscious planning of implementation is attempted, it may well come up against hurdles presently very difficult to overcome. However, this would reveal the area of non-operationality to which planning in an economy like India is subjected.

IV

Indian planning experience is generally considered to be a story of failures punctuated by some partial and limited successes.³⁷ Many hypotheses are posited to explain it in terms of several economic, political and social factors. The hypothesis here holds lack of planning of plan implementation to be one very important factor contributing to the failures of planning.³⁸ The record of plan implementation, marked by extensive deviation of performance from targets, cannot put its critics to shame. Even if a non-conventional approach, in terms of systems analysis categories of stated, real and legitimate objectives³⁹, is adopted to analyse plan-performance in India it will be seen that the attained results, in terms of the test of "what it does, not what it says it does", show that the real objectives are poles apart from stated objectives. Since the real, attained objectives do not serve those social needs which necessitated planning⁴⁰, the legitimacy of these objectives comes

under cloud. However, to blame plan implementation without relating it to the near absence of planning of plan implementation is inappropriate.

In the current practice of planning process, no **planned decisions** at the central level are made about the policies and institutions for carrying out the totality of various programmes contained in the plan. The existing implementing agencies, and new ones insofar as they are consciously brought into existence, go about the business of plan implementation on the basis of decisions arrived at their own level. These decisions are neither coordinated with similar or related decisions at other levels nor are analysed with respect to relative efficacy, costs, consequences, etc., from an overall point of view. In fact there has not emerged an articulated and sharp realisation of the need for centralised, conscious (ex-ante) and coordinated decision-making regarding alternative ways in which plan programmes are capable of being carried out. As a critic of Indian planning maintains, "There seems to persist the basic dichotomy between the planning process and the implementation process, even though there is the universal recognition that implementation seems to be proverbially the weak link in the Indian planning process. It appears that there is a sense of resignation to the **inevitability of the duality of the planning process and the implementing process of the variety that has been in existence in India for many decades.**"⁴¹ (emphasis added). As discussed earlier, the link between what is called 'planning process' and 'implementation process' above is provided by 'planning of plan implementation'. The sense of resignation about the inevitability of the basic dichotomy between the two can be broken by undertaking planning of implementation. This will go a long way in increasing the effectiveness of planning.

Since "the planning process is concerned with the stated objectives" and "the implementation process... is usually concerned with the real objectives"⁴² it is the process of planning of plan implementation which can show that, given the socio-political constraints, what are the objectives which will have knowingly to be sacrificed in order to attain some given objectives. This will set in motion a process of iteration between stated objectives, consequent programmes and conscious and centrally determined methodology of implementation. It is this process which is the basis of effective planning.

Many analysts have attempted to view these failures and shortcomings of Indian planning in forms which tend to approximate to our formulation.⁴³ It is the cleavage between plan targets and plan achievements, reflecting mainly failures at the implementation level, which makes the characterisation 'soft state' appropriate for

India.⁴⁴ Michael Kalecki holds the lack of control of government on the social conditions and institutional framework responsible for lack of effective planning in India, despite the apparent, technical similarity of Indian plans with the plans of the planned, socialist economy.⁴⁵ It has also been maintained by some that it is the absence of political and organisational conditions which accounts for the chasm between policies and their implementations.⁴⁶ Apiece with our contention is also the view that "A general assumption is often made by scholars who analyse policies and build models of the policy processes that once a policy has been made, the policy will be implemented."⁴⁷ All these formulations seem to have at their root the same conception which underlies our emphasis on planning of plan implementation.

An exercise in planning the implementation processes can be expected, on the one hand, to narrow the chasm between stated objectives and real objectives, and on the other, can go toward linking up the planning process and the implementation process. At present, the prevailing scope, range and intensity of planning India (which is rather narrow and feeble) is related to the absence of planning of plan implementation. However, this exercise will also throw up the proposition that if, planning is to carry the weight which it is intended to carry, the range, scope and intensity of planning must increase. Thus, on the one hand, such an exercise will make for setting up more realistic and manageable objectives and targets for a given medium-term plan. On the other hand, this exercise will take the wind out of the sails of the thesis that poor results from planning arise from poor implementation because this exercise is worth nothing if it does not enhance the effectiveness of implementation. In this process, it will dialectically focus on the modest level and scale of planning exercise undertaken so far as also on the greater potential pay-off from planning, which remains unrealised because of the factors inhibiting full-fledged planning exercise that includes planning of implementation. The crucial significance of this exercise stems from the consideration that even when some targets are attained, we have not counterbalanced this 'gain' by taking into account the costs, real and monetary, and unintended effects entailed in the process. Thus planning of implementation enhances the effectiveness of planning. In fact, the confidence produced by an understanding of the mechanism of implementation and consequent improved perception of the resource-base may well enable the setting up of higher targets in the long run.

V

In this connection, one may anticipate a possible line of counter argument that the kind of formulations contained in the foregoing do not show adequate awareness of the socio-political constraints under which economic planning operates.⁴⁸ This specious plea that the socio-political structure and the institutional pattern of the economy act as rigid constraints, leaving no scope for planning of plan implementation is, at one remove, too technocratic and narrow, and, at another, does not grasp the logic of planned intervention in an economy at global, sectoral and micro levels. If such intervention is of magnitudes greater than incremental, as avowedly planned state intervention in India is, then some flexibility in institutions, organisations, information links and incentives has inevitably to be introduced in a planned way. True the political regime, the mechanism by which the economy functions, people's participation in planning and the form and extent of democratic control exercise great influence on the form of planning in general and on the planning implementation in particular. However, adoption of national economic planning is itself an element of the political regime and the economic mechanism. The various elements, and forms and methods of planning have relations of multicollinearity.

Moreover, this is no mere theoretical formulation because the empirics of non-incremental, planned intervention in India and many other countries have shown that it does not leave the institutional pattern unchanged. It is in itself, an institutional change and necessitates further institutional changes, which, to begin with, may be of lower order of importance. In countries planning development, howsoever limited the process, their institutional pattern is being redesigned through many steps like the expansion of the public sector, both through investment and nationalisation, increasing regulation of private sector, change in agrarian relations, fiscal policy changes, institution of multilevel planning methodology, etc. In fact, no planned economic activities of significance can proceed to any meaningful extent without at the same time, changing somewhat the institutional arrangements and systemic properties in the bargain. The point in our argument is not that it does not happen.⁴⁹ Rather, the point is that unplanned, ad hoc dispersed and disjointed decision-making in the crucial field of institutions and policies for plan implementation is an important limitation on planned development beyond a certain point and in a real 'planned' way. An important difference between planned and unplanned activities is that in the latter the mechanism of carrying out decisions is an ad hoc, elemental and spontaneous one while in the former it is a

subject matter of conscious, coordinated social decision-making.

However, this is not to underrate the complexity, difficulties and pressures to which the process of planning of implementation is subject in non-socialist, partially planned economies. The property relations in these economies do not vest the planners with authority equal to plan operational tasks for the private sector. Even for the public sector the degree of operationality is lowered owing to its linkages with the private sector. Such factors intensify the magnitude of efforts inputs for obtaining a given level of results and add to uncertainty of outcome. Planning of implementation will have to face many problems of legal variety because implementors are not under public ownerships and subject to direct public command. Thus legislative and/or economic compulsions (inducements) will have to be created to make them follow the plan. Insofar as the creation of such framework violates some stated objectives, a blind alley is reached which can be crossed by more basic institutional change. Moreover, hurdles also arise due to the need for greater detailed information about private activities, which cannot be obtained without violating the autonomy and privacy of private sector.⁵⁰ These problems multiply when planning has to deal with as dispersed and decentralised a sector as agriculture with its archaic institutional pattern.

The difficulties and problems of plan implementation are also related to the stage of economic development. The experience of socialist economies indicates an important structural-temporal relationship between planned economy's level of development and its economic mechanism.⁵¹ As the pace and urgency of development effort is increased, greater recourse to direct and administrative methods will become inevitable. If the process is not accompanied by a fairly big expansion of the public sector, methods will have to be found to make the private sector follow the open instructions and commands of the central planners. This is so because inducements for the big, structural tasks assigned to the private sector will have to be so big as to conflict with many other social objectives of the plan. Absence of planned decision-making in this field will lower the effectiveness of planning. Thus, in sum, the difficulties of decision-making about the implementation mechanism go to highlight the need for planned decision-making in this field. In fact, there has been a lot of talk of institutional change. Our plea has been that it must be a necessary and integral part of the planning process--it is an exercise which must be undertaken in a planned manner.

VI

Now, we can briefly recapitulate the major conclusions emerging from the discussion. Our starting point is an attempt to establish the need for planning of plan implementation. It is shown to arise from some structural institutional characteristics of the planning process and some features of the environment in which the choice variables of planning exist and operate. While, on the one hand, the inevitable centralistic features of planning bring about a divorce between decision-makers and executants necessitating institution of policies, agencies, etc., for plan implementation in a conscious and co-ordinated manner, (i.e., planning of plan implementation), on the other hand, the absence of autonomous self-enforcing drive for plan implementation among planners and executants gives rise to the need for setting up of specific and adequate modes of stimulation for the purpose. In India, despite the vast and dominant private sector, the adoption of 'comprehensive' national economic planning, existence of large and critically sensitive public sector and attempts at regulation and control of private economic activities operationalise the grounds for planning of plan implementation. The availability of a large number of institutional organisational arrangements, policy-mixes and schemes of incentives, each yielding a different degree of effectiveness of planning also necessitate planning of plan implementation. As these decisions concerning planning of plan implementation cannot, in the nature of things, be of once and forever variety, the exercise needs to be a continuous one. Even though India's partially planned basically market economy does not afford the same degree of institutional malleability as obtains in planned, socialist economies, but it is nonetheless true that there does not obtain total institutional rigidity. Thus a vast range of choice is available for planned institutional change (as a part of planning of implementation) which is corollary of comprehensive national economic planning. The 'activity' of implementation must be preceded by some 'decisions'. The position is that because of the adoption of planning as the unifying principle of dirigism, these decisions must, for the sake of effectiveness, be planned (i.e., centralised, conscious and coordinated in an ex-ante manner). These arguments are placed in the context of various steps in the planning process and are diagrammatically illustrated. Moreover, the position is shown to be consistent with the 'series of decisions' concept of decision theory.

On the basis of these arguments, process of plan implementation is distinguished from that of planning of plan implementation, though a great deal of feedback between the two exists. It is suggested that while the former is the domain of economic adminis-

trators, the latter falls in the purview of economic planners.

The relative neglect of the issues of planning of plan implementation in the western academic field, as distinct from vigorous concern with it in socialist societies, is attributable, apart from systemic and institutional factors, to the epistemological obstacles resulting from the development of planomics on the basis of analogy with the terms of reference of private enterprise, market economies and excessive (almost exclusive) reliance on neo-classical and general equilibrium approaches.

The concept of planning of plan implementation is clarified as that which comes up at the goal attainment stage of plan formulation in the form of choice of, or indication of criteria and principles for the choice of, instruments, policies, agencies, incentive scheme, etc., and their mutual inter-relations in order to effectively attain the targets of a plan. This process is different from the problems of internal organisation and management of projects and programmes (a microlevel problem). For keeping this distinction sharp, we may call planning of plan implementation 'management of plans'.

The nature and scope of planning of plan implementation depend, apart from the economic system and its mechanism, on the role which planning plays in an economy. Since planning in India provides the unifying and harmonising framework for state intervention for accelerating economic development, planning of plan implementation has to be concerned with the economy in all its institutional complexity, though its actual range and nature would vary according to the nature and size of each particular sector. To begin with, we make particular reference to the public, organised private and semi-organised private sectors separately to illustrate our preliminary points.

Planning of plan implementation for the public sector in India has to cover not only public investment programmes but also the operation of the existing capacities of the sector. The difficulties caused by the problem of resource mobilisation from the vast private sector and extensive network of linkages between the two sectors make the exercise complicated. Within these constraints, the problem of planning of plan implementation for the public sector is considered to consist of determination of organisational structure, choice of indicators--instructions scheme and setting up of incentives.

For the private sector, the question of planning of plan implementation is viewed as basically a problem of implementing a central strategy in a decentralised model. The means and policies for directing and regulating private economic activities, apart from

caring for internal consistency and consistency with broad planning parameters, have to be viewed in a much broader framework dictated by the multiplicity of choices available rather than the text-bookish 'either - or' choices fashionable in some academic discussions. These problems give an idea of the mightily more extensive and intensive problems faced in the planning of plan implementation for the relatively poorly integrated segments of the private sector.

Let us now argue that among the many economic, social and political factors hypothesised for explaining the failure of Indian planning, manifest in the chasm between stated and attained objectives, a crucial place belongs to virtual absence of planning of plan implementation.

It is suggested that an exercise in planning the implementation mechanism can be expected to narrow the chasm between stated and real objectives by bridging the gap between planning and implementation processes. In this way, the narrow and feeble range, scope and intensity of planning can be strengthened to respond much more positively and expeditiously to the challenges of economic development.

May be now examine the plea that the socio-political structure of the economy, particularly its production and property relations, act as rigid constraints, not leaving much scope for planning of plan implementation. Certainly granting the relationship between the two, we consider a rigid, one-way relationship of the kind which does not allow any meaningful scope for planning of plan implementation too naive and narrow. Such a position arises from not adequately understanding the logical implications of planned state intervention on a global scale on a long-term basis for sustained economic development. Adoption of national economic planning coupled with the enhancement of direct State participation in the economy is itself an important change in the nature of the political regime and the economic mechanism. That is to say, it is an institutional change which both necessitates and facilitates further institutional change. In fact, no planned economic activities of significance can proceed to any meaningful extent without at the same time changing the institutional arrangements. The point in our plea for planning of plan implementation is not that it does not happen. Rather the point is that unplanned nature of this exercise limits the effectiveness of planning, and, in course of time acts as brake and barrier on planned economic developments. In any case, we do not underrate the complexity and difficulties of planning of plan implementation in a non-socialist, partially planned economy like India. We maintain its imperative necessity, which is heightened by the difficulties involved in the exercise.

REFERENCES

1. K.N. Kabra, *Role of Price Mechanism as a Tool of Plan Implementation in a Planned Economy*. Unpublished Ph.D. Thesis of the University of Delhi (1972), pp. 10-11. For details of various concepts like planning of plan implementation and related arguments see chapters 1&2. The arguments of this paper closely follow those contained in the above chapters.
2. Ibid., See Section III, paragraph two for reasons for not characterising the Indian economy as a planned one.
3. A clear recognition of need for planning the instruments and processes for carrying out the plans has appeared in the writings of many perceptive economists, though, unfortunately, it has not been followed up very much. A.C. Pigou, wrote, "It is, I think, convenient to draw a sharp distinction between a government's primary planning about what it wants done and its secondary planning about the instruments and processes through which its primary plans are to be implemented." in "Central Planning and Prof. Robbins", *Economica* (NS), February 1948, p. 18.

O. Lange, *On the Economic Theory of Socialism*, NY, 1938, p. 6, takes explicit note of the problems of "Methods of securing the Realisation of Plan." Also in "the Preface", *Essays in Economic Planning*, Bombay, 1960, p. ii, he refers to "Methods of Planning" and "The Methods of Realisation of the Plan" separately. A. Bergson, in "Survey of Socialist Economy" in Ellis (ed.), *Survey of Economic Theory*, 1948, refers to a similar problem when he says, "Finally, even if the Board could specify how every sort of resource should be used, the task of controlling the execution of directives would still remain. It is necessary, then, to devise a planning scheme to approximate the optimum allocation in practice." (emphasis added). In more recent literature, a detailed account of the problem, which comes close to our approach, can be found in A. Waterson, *Development Planning: Lessons of Experience*, Baltimore, 1965, Chap. IX. Also chapters VII and VIII. However, his approach, while recognising the critical significance of plan implementation, does not fully and analytically integrate plan implementation with plan formulation. In fact, it says that, "It is, then, undesirable to separate conceptually the preparatory and executory phases when referring to planning. Planning must encompass both the preparation and execution of plans," p. 336 (emphasis added). Thus according to this view, planners become administrators too. This too centralistic view arises because the author does not come up with link between plan formulation and its education, viz., planning of plan implementation. In this connection, it may be noted that Lange pleaded for "separation of plan formulation from plan implementation. See, "Economic Planning and Management in the Socialist Economy of Poland" in *Planning and Statistics in Socialist Countries*, Bombay, 1963, p. 158. A somewhat similar position concerning "Systematic analysis of relative merits and defects of policy instruments available to underdeveloped countries" because development plans "are not adequate as control devices" while "they must provide for sufficient control of the responses of

- the various participants in the economic process to bring about the desired result" is taken by Hollis B. Chenery, in "Development Policies and Programmes" in *Economic Bulletin for Latin America*, Vol. III, No. 1, March, 1958, pp. 51-77. It contains an analysis of questions of choice of policy instrument and execution of development programmes.
4. Neglect of planning of plan implementation implicitly amount to either the assumption that these institutions can be redesigned to suit any plan) or to total rigidity of instruments and policy-mix (which limits the choice of concrete programmes to those which suit the given pattern).
 5. P.J.D. Wiles, *The Political Economy of Communism*, Oxford, 1964, pp. 12-13
 6. C. Bobrowski, *Basic Problems of Planning Teaching Materials*, Vol. 19. (mimeographed in the Advanced Course on National Economic Planning Series) Warsaw, 1966, pp. 8-10
 7. Maurice Dobb stresses the distinction between economic planning and economic administration in the sense that the planning apparatus is not the executive apparatus. *Soviet Economic Development since 1917*, London, 1966, p. 367.
 8. Antonio Ugalde, "A Decision Model for the Study of Public Bureaucracies", *Policy Sciences*, Vol. 4, No.1, 1973, p. 77.
 9. Ibid., p. 77.
 10. Ibid., p. 77 (emphasis added).
 11. Ibid., p. 79.
 12. Abraham Kaplan, "On the Strategy of Social Planning", *Policy Sciences*, Vol. 4, No. 1, 1973, p. 61.
 13. Abis Holub, "The Concept of Annual Planning for Developing Countries", *Czechoslovak Economic Papers* 14(1974), pp. 81-95. "Annual plans may represent a convenient instrument to improve both" (formulation and implementation).
 14. In Poland there is a good deal of literature discussing various types of models, i.e., economic mechanisms. As W. Brus says, "The terminology used such as the phrases 'models of the socialist economy' clearly shows that this is not a question of various social systems, but that of the different modes of operation of the socialist system (emphasis added), p. 5, *Models of Socialism*, Warsaw, 1966 (Mimeographed). See also Dozef Pojestka, "Planning Methods and Procedures and Plan Implementation", in *Planning and Plan Implementation*, UN, NY, 1967, pp. 2-9.
 15. J. Kornai, *Anti-Equilibrium*, North-Holland, pp. 38-41.
 16. See, S. Chakravarty, and J. Bhagwati, *Contributions to Indian Economic Analysis: A Survey*, Bombay, 1971.
 17. Raghbir S. Bassi, "Implementation: A Conceptual Framework", *Plan Implementation*, Publications Division, Delhi, 1964, p. 29. However, the potential relevance of PPE, operations research and management science principles and techniques for "management of plans" is admitted. Work needs to be done in this field.
 18. P.J.D. Wiles, "Imperfect Competition and Decentralised Planning", *Economics of Planning*, Oslo, Vol., 4, No. 1, 1964. Also K.N. Kabra, op. cit., chapter 4.
 19. John P. Lewis, "The Management of Plans: Planning Procedure" in S.P.S. Pruthi (ed.), *Management of Plans*, Ahmedabad, 1967. He

says "The question is how does the nation, or its agent, the Government, get this plethora of economic actors in the system to make the investments, produce the products, distribute the incomes, serve the consumers and other users, and otherwise perform the tasks which the plans, at least in a general way, call for them to do?" (p. 114) "At least in its most obvious sense "Management of Plans" has to do with the means for making all of this (the Materials and Financial Balances) come about more or less on time, and in a way that is consistent with the values and institutions of Indian Society" (p. 115).

Despite the similarity between our concept of "Planning of Plan Implementation" and Lewis "Management of Plans", it must be stated that by attaching some sort of immutability to some institutions, by pleading, in general, for greater role for markets and considering the issue mainly "Procedural" (as against our contention that it is substantive) Lewis has made his concept closely identified with some specific, historical, solutions.

20. In *Papers Relating to the Formulation of the Second Five Year Plan* (Planning Commission, 1955), there were papers, by B.N. Ganguli, "Institutional Implications of a Bolder Plan with special reference to China's Experience", pp. 530-550; and S.R. Sen, "Organisation and Techniques of Economic Planning in the USSR with special reference to Agriculture", pp. 601-629; which indicated efforts in the direction of drawing organisational-institutional and instruments relating lessons from the experience of planned economics. It is not known whether such exercises were continued later on.
21. This characterisation of Indian planning is borne out not only by the position taken up in the basic Five Year Plan documents, but many economists also basically uphold this position. See, e.g., G. Myrdal, *Asian Drama: An Enquiry into the Poverty of Nation*, NY, 1968; John P. Lewis, *Quiet Crisis in India*, Washington, 1962, H. Ulyanovsky, and V. Pavlov, *Asi Dilemma: A Soviet view and Myrdal's Concept*, Moscow, 1973; A.H. Hanson, *The Process of Planning: A Study of India's Five Year Plans, 1950-64*, London, 1966; C. Betlehem, *India Independent*, NY, 1963. As M.J.K. Thavaraj has said, "Indian plans have been formulated on the basis of respect for private property and the operation of market forces. At the same time, the egalitarian objectives of the Directive Principles are also incorporated in the plans with varying degrees of emphasis", *Plan Implementation: Some Basic Problem* (a mimeo.), paper presented to a seminar on Plan Implementation by Centre for Social Research, Madras, 1974), p. 5.
22. G.C. Moodie, "Government Organisation and Economic Development in Government Organisation and Economic Development", OECD, Paris, 1965, p. 163.
23. Except, of course, the initial years in which the programme for the creation of a public sector is taken up.
24. G. Myrdal, op. cit., p. 2009.
25. Problems of planning, including implementation of plan, have received considerable attention in Western literature see, e.g., Louis J. Walinsky, *The Planning and Execution of Economic Development*, NY, 1963; John C. Honey, *Planning and the Private*

Sector--The Experiences in Developing Countries: A Comparative Analysis, NY, 1970. Firmin Oules, **Economic Planning and Democracy**, Harmondsworth, 1956.

26. Cf. A. Waterson, **Development Planning: Lessons of Experience**, op. cit., pp. 336-38.
27. Cf. OECD, **Budgeting, Programme Analysis and Cost-Effectiveness in Educational Planning**, Paris, 1968. Introduction by John Viaze. Also A. Waterson, op. cit., chap. XXI.
28. Mahababul Haq, "Planning Agencies in Pakistan", in **Government Organisation and Economic Development**, op. cit., p. 25.
29. Ibid.
30. Cf. "There is no point in contraposing administrative to economic methods, as is done by some western scholars. If a plan is adopted and the state controls its fulfilment through corresponding bodies, this would naturally involve elements of administrative regulation of the economy... "However, these administrative methods of planned economic management must, lest they lead to negative results, be economically substantiated and combined with the application of economic incentives". **Soviet Review**, Vol. X, No. 46, p. 30.
31. Cf. Vera Lutz, **Central Planning for the Market Economy**, London, 1969 in general. See also Jean Ripert, "The Implementation of the French Plans" in **Planning and Plan Implementation**, op. cit., pp. 69-71.
32. Cf. R. Bhardwaj, "A Theorem on the Problem of Implementing a Centralised Strategy in a Decentralised Model", **Indian Economic Journal**, Oct.-Dec., 1974., pp. 69-72.
33. M. Haq, op. cit., p. 30, suggested it as "the main instrument of control in the industrial field". Industries falling within the IIS can be said to have 'general permission' as opposed to specific permission entailed by licensing and 'Blanket permission', entailed by delicensing.
34. See, A. Holub, op. cit., p. 84.
35. D.R. Gadgil, **Planning and Economic Policy in India**, Bombay, 1962.
36. A. Waterson, op. cit., pp. 332-39, is a typical example in whose case these apprehensions come true. To him, a planner becomes a know-all and do-all and the problems of implementation become as those of "administration and politics". It is these views which justify the case that planners have "no special competence to deal with the question how plans are to be implemented because this aspect largely involves administrative, institutional and political factors. (p. 335)
37. See references to critical studies on Indian planning in n. 21.
38. Plan implementation (without distinguishing it from planning of plan implementation) has been considered among the major factors for the failings of Indian planning. A. Waterson, op. cit., cites many such views, including those of Jawaharlal Nehru, Barbara Ward, D.R. Gadgil, ECAFE, etc., pp. 333-334. We may add the following:

"In any critical appraisal of our planning effort, it is now almost common place to say that the gravest defect from which it suffers is the sphere of implementation. This has now been freely admitted even in official documents. The publications

of the Programme Evaluation Organisation of the Planning Commission and of the Committee on Plan Projects have pinpointed the precise areas in which implementation has failed. The Planning Commission has taken cognizance of this and, from time to time, made suggestions for improvement in implementation. The real trouble is that in spite of all these evaluation, self-criticisms and remedial prescriptions, the malady persists; perhaps it is getting aggravated." M.L. Dantwala, "Agricultural Sector and Implementation of Laws" in S.P.S. Pruthi (ed.), *Management of Plans*, op. cit., p. 9.

D.K. Rangnekar, "The Asian Dilemma", in *India and Asia, The Economic Times Annual*, 1973, Bombay, p. 25. "But Asian Policy makers tend to disregard the need to bring about structural changes in society, they minimise or ignore the resource potential of institutional changes and the validity of latent productive forces. In India, for example, what is called planning is in reality half-planning--a collation of schemes of public expenditure, targets of assistance to state governments, and aid to the private sector. There is an obsession with matter financial, and an enormous sector of the economy - the private sector - remains unplanned. This system of half-planning has had its own stultifying effects on the content and pace of development and change." The contention of M. Avsenev, "Problems of Economic Planning in Developing Countries", *Soviet Review*, Vol. X, No. 46, p. 29 is strikingly relevant for Indian planning experience. He says, "The emphasis is only on the drawing up of the plan, but there is no control over its fulfilment. In other words, the developing countries detail, to a greater or lesser extent, what is to be done, but do not consider how the projected target can be achieved and who is to be responsible for the fulfilment of the plans. The main reasons for under-fulfilment of many plans stem from factors connected with the multiplicity of the economic forms and the absence of state control over the key branches of the national economy." (emphasis added). The Planning Commission itself has admitted this source of shortcomings. For Planning Commission's position on this issue see, K.N. Kabra, "Planning Commission's Views on Plan Implementation" (unpublished paper).

39. C. West Churchman, *The Systems Approach*, NY, 1968, pp. 30-34.

40. Brining out the role of "political culture on plan implementation in India", S. Kochanek, "Hence Indian society is known for its legitimising of ethical relativism and tolerance of dissent." In the political sphere, this lack of a sense of singular objective reality enables the "leadership to accept and live with contradictions in policies without submitting them to an analysis and test of workability." Van D. Kennedy, "Unions Employers and Government: Essays on Indian Labour Questions, Bombay, 1966, p. 20. While such an intellectual predisposition may inhibit the ability to establish and implement priorities it does permit the articulation of policies which create widest possible following." (emphasis added), p. 45. *Business and Politics in India*, Berkley, 1973. Thus while Kochanek's hypothesis tries to explain the origin of stated objectives, Kennedy's explanation of these contradictions in

- terms of lack of analysis and test of workability forms a part of what we call "planning of plan implementation".
41. Nitish R. De, "Public Administration and Plan Implementation" in *Indian Journal of Public Administration*, Oct.-Dec., 1974, p. 710
 42. *Ibid.*, pp. 710-11.
 43. See notes 2 and 37.
 44. See, G. Myrdal, *op. cit.*, chapters 2, 3, 16 and 18.
 45. M. Kalecki reported by D. Thorner in "The Marxist Theory of Development: Some Notes on Warsaw Conference", 1962. *International Social Science Journal*, Vol. XIV, 1962, pp. 784-85.
 46. Thomas B. Smith, "The Policy Implementation Process" in *Policy Sciences*, *op. cit.*, pp. 197-209. He says "Third World Government often tend to formulate broad, sweeping policies and governmental bureaucracies often lack the capacity for implementation. Interest groups, opposition parties and affected individuals often attempt to influence the implementation of policy rather than the formulation of policy", p. 197
 47. *Ibid.*
 48. See, e.g., H. Prasad Padhan, "Production Relations: Achilles' Heel of Indian Planning", *Economic and Political Weekly*, Vol. VIII, No. 19, pp. 869-72 contrasted to such formulations is the position of economists like late Prof. D.R. Gadgil, who believed that "socio-economic transitions were to be brought about in the four corners of the present framework which would be stretched out in the process, especially to accommodate its humanistic aspects", p. 1029. Discussing the limitations of this approach, A.R. Kamat, "D.R. Gadgil: The Last Phase", *Economic and Political Weekly*, 29 June, 1974) whom we have just quoted, says, "his (Gadgil) formulations despite their seemingly radical objectives - were vague, lacked internal organisation and betray a piecemeal approach. Had he set about to introduce order and organisation in their formulation they might soon have pointed to contradictions with the existing framework and landed him outside the limits of middle class radicalism", p. 1029, emphasis added. "It is easy to see that the factor which is missing comes close to our planning of plan implementation" which strives to bring in "order and organisation" in the preparation of the tools and policies for plan implementation.
 49. When this institutional malleability comes to a total stop, it leads to complete stagnation and constitutes a very important element of the objective conditions for a social revolution. See Z. Vergener, "On the Relationship Between Objective Conditions and Adopted Forms of Planning: The Problem of Adequate Planning" in *Planning and Plan Implementation*, *op. cit.*, pp. 12-16.
 50. L. Hurwicz, "Conditions for Economic Efficiency of Centralised Structures" in G. Grosman (ed.), *Value and Plan*, Berkley, 1960, considers anonymity of information and its non-operational nature important pre-requisites for informational decentralisation. Apparently, the implications of these conditions for the operability of the plan are not realised because in the type of framework which is implicit in Hurwicz's writing there does not seem to be a recognition of the role of planning of plan

implementation.

51. Many authors have written about this relationship. Typical example is O. Lange, "Role of Planning in Socialist Economy" in *Indian Economic Review*, August, 1958. He says "Methods, which are necessary and useful in the period of social revolution, become an obstacle to further economic progress when they are perpetuated beyond their historical justification", p. 4. Recently, there was a good deal of discussion in East European countries on the problems of transition from extensive to intensive growth and the consequent changes and reforms in the economic model. See, e.g., G. Kohlmei, "From Extensive to Intensive Growth", *Czechoslovak Economic Papers*, No. 6, Prague, 1966; W. Brus, *The Economic and Politics of Socialism*, London, 1973. I. Friss, *Economic Laws, Policy, Planning*, Budapest, 1971, etc.

Administiring the Planning System

SHRIRAM MAHESHWARI

INDIA ADOPTED planning in the fifties as the vehicle of its development though its interest in it dates back to early forties when the Indian National Congress set up the National Planning Committee to prepare comprehensive plans of reconstruction for undivided India. Interspersed with 'holidays' and annual plans, India has completed five five-year plans with varying degrees of success; while the sixth one is presently on the agenda, it is engaged in the preparation of blueprint of the Seventh Five Year Plan. But this alone does not make a discussion on planning in India a subject of topical significance. Over the years, planning has lost a good deal of its credibility and glamour it had enjoyed in the sixties, which calls for a measure of introspection on the part of the society. The annual rate of growth of the economy since the beginning of planning has been quite low which compares very poorly with the growth rates achieved by other developing countries. Putting it in terms of per capita income, the rate of growth in India has been no higher than 1.5 per cent, which would take no less than fifty years for the country to double the standard of living of its people.¹ That more could-- and should--be done through the mechanism of planning is the dominant belief underlying the present article.

One may do well to recall here the dominant traits of planning as it has evolved in India. First, planning in India is highly centralised, and this centralism acquires arresting nature when considered in the background of the federal system of government under the Constitution. Planning, to be sure, has an inherent centralising slant, but it is possible-- and desirable--to devise counter-balancing mechanisms and encourage styles to encourage emergence of plurality of decision-making centres. This, however, is not the case with Indian planning. The centralist thrust of planning has also received powerful impetus from historical and environmental factors, such as the hang-over of the unitary arrangements of governance till the enforcement of the present Constitution, single party dominance, centralisation of financial resources, etc. Once a tradition of

centralist planning was built up, it began to feed upon itself with the passage of time.

The second feature of planning is its bureaucratic nature. This characteristic is to an extent implicit in the preceding one but has become a prominent feature not to be missed. The planning processes do not seek to involve citizen participation in any organised way. When slackness in execution is noticed, the remedy is discovered in still greater bureaucratisation.

Besides, it should look axiomatic that a five year plan builds upon its predecessors, making the latter as its base. Each plan registers gains-- and some inadequacies--both intended and unintended as well as immediate and remote. The succeeding one should take full cognizance of all these changes no less than their implications. One may, for instance, argue that macro-level planning was necessary in the early stages of economic development when the infrastructure had to be created and a host of other fundamental decisions had to be taken. That phase is over, and now the time has perhaps come to plan at the unit level so that schemes of development correspond more closely with the needs and aspirations of the local people. This, however, has not been done. With almost monotonous regularity, each plan is content to run into the old grooves.

ADMINISTRATIVE ASPECTS OF THE PLAN

Administrative aspects of the five year plan do not generally receive serious attention of the country's planners. Generally, their concerns for implementation mechanisms, if any, are more of a postscript or a tailpiece than a product of integrated thinking. It is not without significance that the chief executives at the National Development Council sessions plead for greater autonomy, fiscal and otherwise, and make suggestions in various areas, but seldom is a word uttered to explicitly demand toning up of the administrative system or to stress administrative limitations.² Yet no plan can expect to accomplish more than its administration permits it to do; it is too much on its part to move much beyond its public administration. Indeed, administration is the single most critical factor intervening between planning and implementation though planning itself, strictly speaking, is a function of administration.

The implementation processes acquire a powerful meaning in a developing country for it is at the stage of implementation that the local interest groups become aggressively vocal and assertive, distorting the programmes and cornering the benefits, whatever be the

explicit objectives or goals. The Indian experience amply proves this hypothesis. All told, administering the plan acquires top level priority: this is the message of all the plans. V.K.R.V. Rao is right when he attributes the failure of planning to "its implementation, its lack of cohesion with social factors and the impediments imposed by political, social, administrative and cultural forces...."³ The Government of India's Economic Survey for 1984 also admits albeit shyly: "The degree of discipline in plan formulation and implementation needs to be greatly improved."⁴

PROFILE OF CHANGE

It is thus imperative for the country to evolve an administrative system which can cope up with the challenge of the plan. The crying need of planning is simultaneously to formulate a comprehensive national administrative plan so that the five year plan gets administratively supported. The 'correction slip' approach, which is generally followed when confronted with embarrassing situation, would not be of much availing. This requires leadership role on the part of the political elite of the land. Without constant proddings and stimulations by the political chief executive and other ministers, public administration in the country is apt to run in its accustomed way. Public administration can be expected to remain efficient and positively oriented only when it remains under continuous political control, guidance and surveillance. Political concern, one may again emphasise, is prerequisite of administrative reform, and without administrative reform no plan can be put into operation in the way originally visualised.

The National Development Council, the summit institution of the chief executives of the Indian Union, has gradually become a body without much brief which is confirmed by its infrequent meetings and occasional non-serious nature of discussion in its sessions. It is not without significance that the NDC has met only thirty-seven times since its inception in 1950. This weakens the processes of consensus politics and prevents plans from reflecting the ground level realities of a vast and diversified country like India. In theory, the NDC is the sovereign body, and the Planning Commission is made subordinate to it. But in practice, it has got largely reduced to the level of a decorative body. The NDC must be made stronger, politically, organisationally and operationally; and efforts in this direction must not be delayed. Presently, the centre-state relations are marked by numerous strains and the NDC is an appropriate body to promote cooperation between the two levels of government. It must be borne in mind that unfriendly relations

between the centre and the states create a climate which is inimical to both planning and its execution, and bridges, therefore, need to be built between the two levels of governance. Nor should the Planning Commission remain what it has been over the years. It should be made a more vigorous body, and the inconsistent relationship between it and the constitutionally established Finance Commission be removed.

Antiquated administrative structures and leisurely procedures of work are incompatible with the accomplishment of tasks visualised under the plan.

Inefficiency, delay, motivated harassment, corruption, wastage, misuse of resources, etc., must be censured wherever these are noticed and professionalism in administration must be promoted at all levels and in all sectors. Administrative delays are notorious in India. The Prime Minister recently asked the Central Government secretaries to insist upon quicker action and cut down delays in administration and she quoted the private comments of the Japanese and US entrepreneurs that what is done in a day in other countries takes no less than a month in India.⁵ Delays harass the people, breed corruption, cause cost escalation, to name a few consequences. By causing cost over-runs, they bring plans under disrepute. There should be 'single window clearance' of industrial proposals, and citizen dealings should also be without harassment and delay. Delays in project implementation are by now a common feature of Indian planning. This is bad in itself as it inflicts adverse effects on the project economies but it is bad also because of the chain effect it is apt to generate. This happens on account of poor project design, incomplete preparation of project report and inadequate appraisal, and the surprise is that such things happen in a planned economy in which planning has been in progress for over three decades. Training in project formulation and implementation is of critical importance to avoid delays as huge funds from the limited resources have been locked up in these.

The state level public administration is necessarily to be called upon to bear the brunt of the new tasks and, therefore, it will have to be considerably strengthened, more in terms of quality than quantity, so that it becomes an apt instrument for undertaking programmes of development. A series of measures are imperative; the states are well advised to scan the reports of about twenty administrative reforms committees, set up by them from time to time since 1947, and to see that the urgent reforms are swiftly carried out. The well-known tenure system, which operates rather erratically at present, needs to be enforced more systematically. Not only should a civil servant coming to the central government on a tenure revert

to the state (or service) of his posting after completion of his spell of duty, the tenure system should also be applied in an orderly way within a state itself, ensuring regular exchange of personnel between the field and the headquarters. Meaningful training programmes should be organised for state level personnel in various areas to improve their functional proficiency.

As early as in 1971, the Planning Commission had asked the state governments to set up planning boards--broadly on its own pattern--to attend to the task of integrated planning of their respective states. These bodies have since been set up in a few states but have hardly been effective. Machinery for evaluation is weak and in many states it is even non-existent. There is thus no regular and reliable mechanism for feedback to flow to planners, and in such a circumstance mid-term corrective action is not possible. It is necessary that planning bodies be set up in each state with status and function similar to those of the central Planning Commission and their responsibilities should extend to plan formulation, annual plans, project monitoring, evaluation, mid-term appraisal, etc.

Similarly, reform of local governments--rural as well as urban--should not remain shelved, as has generally happened in most states so far. Local government will necessarily have to be involved more meaningfully, more closely and more widely in the efforts at development. It would be good if the states go through the various reports, about twenty in number, having bearing on this subject and quickly implement the necessary reforms. Indeed local government should be recognised as the third level of the Indian federation.

Planning necessarily leads to recruitment of a large number of experts and specialists in various sectors and levels of administration. But, in India, the technical personnel generally suffer from low morale, the reasons being excessive control from above, manning of top level policy-making positions even in technical sectors by generalist administrators, lack of promotional opportunities, etc. According to a recent news report, "...more than the promotional aspect, what is really disturbing is the fact that the technical officers in the Planning Commission find themselves handicapped in their very functioning. It is stated that there is 'some hesitancy' on the part of the IAS officers from the Planning Commission as well as other ministries and departments to attend meetings chaired by technical officers. Sometimes, secretaries and additional secretaries from other ministries are invited to hold the meetings in the Planning Commission."⁶ Such attitudes hamper functioning, and must be eschewed. A certain ascendancy in the status and role of the specialists is inevitably built in the very logic of development, and the imbalance must be corrected. Stress may also be laid on the

need for experts and specialist acquiring administrative experience and training to enable them to move into positions of administrative responsibilities in various areas and levels of government. At the same time, tasks of integration and coordination grow increasingly weighty under a planned economy and the place of the generalist administrators also becomes much more important. Correctly speaking, the relationship between the specialists and the generalists is complementary, not competitive provided both play their respective roles in an upright way. Besides, the generalist administrators must also specialise in one or the other sector of administration so that they may make an intelligent contribution to the work in hand.

India's weakest link in administering of the development plan is the ground level machinery, and reference here is particularly directed to district administration headed by the District Collector. Whether District Collector should be associated with developmental administration or not is a question which has been debated since the days of the Bengal Administration Enquiry Committee (1945).⁷ Both Gujarat and Maharashtra have, however, hived off developmental functions from regulatory ones and have set up an entirely new functionary--chief executive officer/district development officer--to look after the former set of functions. But, other states have taken the view that developmental tasks would get more effectively performed by a close association of the traditionally honoured District Collector, and accordingly have made him the head of development. Howsoever highly an office is traditionally viewed by the citizens, an excess load on it is apt to bring it under heavy stress and strip off its supposedly magical potency; and precisely this has happened to the office of the District Collector.

Besides, the member of the IAS appointed to this post is too inexperienced an officer having barely put in four or five years of service to command the cooperation and respect of other district level functionaries who possess much greater experience and are older in age. What is even worse, he is subjected to frequent transfers, his average stay being less than eighteen months. With all such parameters within which he has necessarily to function, he is hardly in a position to provide meaningful leadership to development administration. The larger truth, today, is that he is not in a position to administer either the traditional regulatory affairs or even the newly acquired developmental ones with an acceptable level of efficiency. Strengthening of field administration is an unpostponable item on the agenda of national policy-makers, and postings at this level should be made compellingly attractive. It is implied that some of the gloss needs to be taken off the secretariat postings.

PEOPLE'S PARTICIPATION

Administration of plans of India's scale and magnitude cannot be possible without active and widespread citizen participation. In July 1984, the Prime Minister told the National Development Council: "I look to the people's involvement in the plan as a means for speedier and more efficient implementation. For me the relationship between the plan and the people is an organic one." She further added: "The decentralisation of the planning process to the district and the block levels will ensure the fullest participation of the people in the formulation and implementation of programmes. There is no other way of making our anti-poverty programmes a living reality."⁸ Yet the fact is that people's participation in the development plans is more conspicuous by its absence rather than presence. Panchayati raj is not active in most states, and even in states like Maharashtra and Gujarat, where it is in reasonably good health, no effort has of late been made to strengthen it further, by endowing it with additional functions and resources. Citizen participation, a prerequisite of effective implementation, calls for decentralisation both of planning and administrative decision-making. Planning must be pushed downward remembering fully well that the fundamental belief underlying the local level planning is that the lower unit's priorities may not be the same as those of the higher level. To put it concretely, the state government's priority may be agriculture but a particular district--or block--may have forestry as its acute current need. In this sense, there is little decentralisation of planning in India despite the continued urgency to do so. The district and the block should become the new lower units of planning. As V.K.R.V. Rao observed: "The administrative unit for local planning should be at the block level with necessary provision for finance, technical expertise and administrative co-ordination, with the block level officer instituting a two-way dialogue with an elected body like the block level panchayat for guidance in formulating the block plan, reporting to it on progress in implementation and seeking its cooperation and participation in dealing with the difficulties faced in implementation. The next higher unit in the hierarchy of planning units should be the district development officer (whose status and authority for both spending and coordination should be similar to that of the District Collector) and the Zila Parishad which would be an elected body, representative of the district as a whole in addition to special representation for the block level panchayats in the district. The relations between the DDO and the Zila Parishad should be similar to those between the BLO (block level officer) and the block

panchayat."⁹ The next higher authority for planning should be a composite unit comprising the state planning board, the state cabinet, the state legislature, and the state development commissioner. Interesting in this context is also the recommendation recently made by the Economic Advisory Council to the Prime Minister for the setting up of a planning authority at the divisional level.¹⁰

It must be remembered that when people participate, they organise themselves and even think for themselves. While participating in implementation of programmes, designed for their benefit, social consciousness emerges, releasing energy and imparting dynamism to the programmes. This, surely, is a time-consuming process, but any human development programme requires investment of time.

ADDITIONAL THOUGHTS

A sound administrative strategy for planning should take into full account the previous experiences of plan implementation and also make optimal use of knowledge made available by modern management as well as the experience of other developing and developed societies which faced more or less similar developmental problems. Besides, there should be a continued search for strengthening of the capabilities, and various mechanisms should be devised to this end.

The top level planners should also expose themselves more and more to the field, especially planners to rural realities by spending a reasonable portion of their time in villages. This would not only make planning less esoteric and more meaningful but also ensure better implementation. This would happen if the planners would have occasions of seeing planning and implementation from the other end and thus getting a clearer vision of how the plans are interpreted, operationalised and distorted to suit the local power structure. The proposed ruralisation of the top level planners is particularly necessary for the success of the rural development programmes.

The implementation process also suffers from a certain multiplicity of objectives which each five year plan holds before itself. It would perhaps be a great advantage for the smoothness in implementation if an excessive dispersal of attention is avoided at the time of development of plan objectives. A noted economist has, for instance, warned: "The larger the number of objectives the easier it would be to justify alternative courses of action as fulfilling one object or another."¹¹ It is true that concentration on just one objective may not be feasible in a democracy where diverse interests project their demand on the polity, and furthermore, plurality of objectives may keep various groups of people integrated within the

limits of a common institutional framework. Yet, the lesser the number of objectives, the better it is for the line functionaries.

There are some other ideas worth consideration. The implementation failures recurring since the fifties, perhaps call for a small tight plan, which may perhaps be supplemented by an 'indicative' plan. The administrative energy, presently scattered all over, would thus be released from the 'indicative' sector, and become available for the performance of the essential part, resulting in its smarter implementation. Besides, the 'indicative' sector, freed from administrative shackles, would be enabled to show unhampered initiative and drive in its liberated area. At any rate, as Sachin Chaudhuri once commented: "Much unnecessary rigidity has entered the process (planning). A great deal of deadwood needs to be hecked away."

This is not to imply that planning has been a futile exercise and that it should be given up. India's achievements flowing from the planning process are many-sided and well marked, and it would be utterly churlish to deny the gains of planning: planning is essential because it helps to channelise the national thinking in certain well-marked directions and to draw up a set of norms regardless of the fact that the unexpected might occur. But planning in India is basically incomplete: it is based on models constructed in purely economic terms, thus, seeking to project an absolutely apolitical image. This makes Indian planning rather theoretical and unimplementable--at least in full.

Mention in the end must also be made of the need for creating a climate at the national level which is positively supportive of economic development and planning. An important component of it is the existence of a structure of national morality and what is more, practice of it by the governing elite. This is apt to restore credibility to planning and administration and in the process generate much-needed goodwill for such efforts. Life is not worth living if it is not motivated by higher norms and values of conduct.

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THE POLITICS OF INDUSTRIAL PLANNING IN INDIA:
THE SECOND PLAN*

SUNIL KUMAR SAHU

THE VIEWS on the role of industry in development have undergone significant changes in the past two decades. When the developing countries began to formulate their economic strategies in the late forties and early fifties, industrialisation was an important component of their aspiration. This was mainly due to the experience of primary producing countries during the Great Depression which underlined the need for economic diversification. The principal potential of industrialisation, from a purely economic point of view, was seen in its contribution to rapid economic growth.¹ One of the major assumptions of the advocates of industrialisation was their belief that the course of industrialisation would be the same in the third world as it had been in the West: working its way from consumer goods industries, to heavy and capital goods and eventually to consumer durables. But the process of industrialisation in most of the third world countries has belied this expectation.

Despite the general recognition of the need to industrialise, the process, policy, politics and effects of industrialisation have varied from country to country. However, import substitution provided a ready industrialisation strategy for relatively large third world countries because markets for industrial goods had already been created in most of these countries.² For example, in several Latin American countries, which had relatively high levels of import of manufacture, import substitution became a preferred development strategy. Thus behind a protective fence of often extremely high tariffs domestic manufacturing industry in Latin America was built to replace imports from abroad.

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The Latin American experience suggests that the expansion of industry, notably in Brazil and Argentina, was mainly 'horizontal' or 'extensive', i.e., aimed at satisfying the demand for finished consumer goods and few inroads were made into the production of intermediate and capital goods. Consequently, with the exhaustion of the 'easy' stage of industrialisation the move from consumer goods (light and nondurable) to capital goods stage of industrialisation was extremely difficult. It was marked by severe balance of payments problems, the need to mobilise large amounts of capital, and finally the turning of economic and technical elites to the 'bureaucratic-authoritarian regime' solution as in Brazil in 1964 and in Argentina in 1966.³ Furthermore, the inadequacy of domestic resources made foreign capital an important (and often dominant) partner in the industrialisation process in Latin America. By contrast, India's effort to develop basic and heavy industries and public sector within a democratic framework provides a model of development that combines democracy, self-reliance, growth and modest redistribution unparalleled in the third world.

The industrial strategy and policy followed by the Government of India since the fifties has been significantly different from other third world countries. While most of the Latin American and Asian countries, including Pakistan, at that time were concerned with a very high growth rate of industrial output and consequently chose to invest in the development of consumer goods industries, which had a much shorter gestation period and a much lower capital output ratio, India emphasised the long-term growth of its economy and therefore decided to develop basic and heavy industries even though it meant a long gestation lag and a relatively high capital-output ratio. The pursuance of such an industrial strategy has shown positive results for Indian economy in the medium- and long-run. It has enabled India to be less affected by foreign capital dependence (most pronounced in Latin America), market dependence (as is the case of Hong Kong, Taiwan and South Korea, though on decline in recent years), and technological dependence (as the strategy proceeded imported goods were needed less and less).

India's emphasis in the Second Plan on basic and heavy industries and public sector has contributed significantly towards the country's industrial progress. Though it has not succeeded in achieving certain declared goals of industrialisation and planning (such as achievement of full employment, eradication of poverty and creation of a more equal society),⁴ the pursuance of a new industrial strategy has indeed resulted in the diversification of industrial products and the sophistication of the product-mix.⁵ It is significant to note that basic and capital goods industries now account

for over 40 per cent of the value added in the factory sector, and the intermediate goods account for about 30 per cent.⁶ India's growing manufacturing, technological and managerial capacities are reflected in the export of equipment and know-how for setting up joint ventures abroad.

These developments and many others would not have taken place had the early planners not assigned high priority to basic and heavy industries. India's industrialisation thus raises the question, what led Indian leaders and planners to adopt an industrial strategy that others, notably Latin American countries, did not follow. This article addresses this important question. It attempts to analyse and re-evaluate the political and economic considerations that led to the formulation and the adoption of a new industrial strategy in the Second Plan. It pays special attention to the perception of modernisation and economic development and to the ideological biases of important actors in policy making. We shall focus particularly on the role of P.C. Mahalanobis, the chief architect of the Second Plan, in the formulation of the new industrial strategy and on Nehru's efforts in getting his party and government to accept his notion of socialism and the Second Plan's priorities.

It has been argued in the literature on Indian Planning⁷ that ideological considerations weighed heavily in giving high priority to industrialisation in the Second Plan. Such views have usually been supported by the argument that Nehru, who was in firm control of both the party and the government when the work on the Second Plan began, had favoured big industry, planned economic development and a greater role for the public sector in the belief that they would help Indian economy grow faster and the country could move in the direction of socialism. On the other hand, some analysts (especially Nayar) have attributed Nehru's choice of industrialisation to his desire for India to emerge as a militarily dominant power in Asia even though it amounted to neglecting the obvious requirements of employment generation and a better distribution of incomes.

It is indeed true that without Nehru's support the launching of a modern type of industrialisation with its emphasis on heavy industries would not have been possible. What is, however, not sufficiently highlighted in such analysis is that in the new industrial strategy there was a convergence of the long-term interests of big business, the planner's objective of the realisation of a rapid economic growth and the ideological considerations of the leadership. We shall argue that apart from ideological considerations, the Second Plan's industrial strategy was the logical culmination of the economic thinking in India on planning and industrialisation

which pre-dated independence and included not only the political leaders and intellectuals, but also influential members of the business community.

The adoption of a new development strategy in the Second Plan, which aimed at securing a more rapid growth of the national economy and expanding the employment opportunities through rapid industrialisation and the expansion of the public sector, was partially Nehru's response to the criticism of the left parties (the CPI and PSP) that the government had not only failed to address the problem of growing unemployment but had also neglected industry in the First Five-Year Plan. Our discussion of the Nehru-Mahalanobis strategy of industrialisation would furthermore shed some light on a series of questions: did the priority given to industrialisation in the Second Plan amount to the total neglect of the agricultural sector as argued by 'Agricultural Fundamentalists'; was the question of a development strategy posed in either/or manner, i.e., industrial versus agricultural development; was it wrong for the planners in general and Mahalanobis in particular to give relative importance to the public sector and the 'commanding heights' occupied by basic and heavy industry; was the heavy industry strategy suited for Indian conditions in the fifties or it was adopted mainly due to its appeal to Nehru and Mahalanobis; and what, if any, were policy alternatives before the planners and political leaders in the mid-fifties?

MAHALANOBIS AND THE FORMULATION OF INDIA'S NEW INDUSTRIAL STRATEGY

In the formulation of the Second Plan the Planning Commission worked closely with the Economic Division of the Ministry of Finance and the Indian Statistical Institute (ISI). They brought out, together, two studies, namely, 'Draft Plan-frame' and, 'Tentative Framework for the Second Five Year Plan'. The Draft Plan Frame was believed to have been almost entirely written by Mahalanobis and, with very minor changes, adopted in the Second Plan. It was this study which gave a development strategy and also the philosophical and main technical content of the Second Plan, and was more or less supported by the Panel of Economists of the Planning Commission and the National Development Council (NDC). Apart from being a technical document, the Plan-frame also articulated the economic goals of the leadership, particularly of Nehru. In this section we shall elaborate upon the planning models of Mahalanobis in order to understand the economic rationale for adopting a new industrial strategy in the Second Plan.

Mahalanobis, by training and profession a physicist, was drawn into statistics by a series of random events.⁸ He became interested

in applying statistical knowledge toward solving the problem of national development especially after his discussion with Nehru about planning in early 1940.⁹ Realising Mahalanobis' usefulness for India's planning, Nehru associated him with the Planning Commission from the very beginning. In February 1949, Mahalanobis started working as Honorary Statistical advisor to the Cabinet and later in that year he became Chairman of the National Income Committee with D.R. Gadgil and V.K.R.V. Rao as members. His views and approach to planning thus matured in the early years of planning experience in independent India.

When the First Five-Year Plan was being finalised in 1951, Mahalanobis expressed his dissatisfaction with the development approach of this plan and stressed that a "progressive and integrated economic policy, rather than a reliance on a number of useful but unconnected projects or on some parametric marginal rate of saving, would be necessary to achieve a high rate of growth".¹⁰ Realising that the First Plan was put together without any serious thinking and was nothing more than a catalogue of loosely knit aspirations and projects, Mahalanobis concluded that the amelioration of poverty of the great masses of people in India required a new approach to planning. In particular, he was dissatisfied with the First Plan's total neglect of basic and heavy industries. Although the government did take some initiative in setting up manufacturing enterprises in the public sector, such as Hindustan Antibiotics, Hindustan Machine Tools, Hindustan Cables, Hindustan Steel, industrial development was envisaged to take place primarily in the private sector. Thus of a total investment of Rs. 398 crores made in the organised industries in the First Plan only Rs. 59 crores was in the public sector, the remaining 339 crores being in the private sector.¹¹ The low level of the production of capital goods was further a cause of concern for Mahalanobis. For example, India was producing at that time only about 1 million tons of steel, although the country had the largest reserves of high quality of iron-ore in the whole world.¹² An acute shortage of steel in the early fifties had convinced him of the urgent need for increasing the production of steel. Mahalanobis also regretted the opportunity missed by India in 1949¹³ when the government had initially accepted the recommendation of a team of consultants to set up steel plants in Madhya Pradesh and Orissa but subsequently dropped these proposals under the pressure of those who favoured the expansion of the existing private sector steel plants. Moreover, he was becoming convinced like Nehru that the solution to India's economic problems required a kind of planning whose outlook must have a wide time-horizon of at least fifteen or twenty years.

Mahalanobis expressed his views about the Indian economy for the first time in his Presidential address, entitled 'Why Statistics?',¹⁴ delivered at the Indian Science Congress held at Poona in 1950. He presented a single sector model for the whole economy and discussed the estimates of per capita investment necessary for improving living standards in India. In this paper Mahalanobis used a ratio of the value of product to the capital invested in order to make preliminary calculations about industrial development. In two subsequent lectures delivered in Calcutta in 1951 and New Delhi in 1952 he gave some calculations emphasising the need for a high rate of investments in heavy industries.¹⁵ In particular, Mahalanobis pointed out that it was necessary to increase the rate of investment from 5 or 6 per cent to 10 or 11 per cent. By the use of an extremely simple model of growth for a planned economy he drew the following quantitative conclusions:

If it is desired to double the per capita income in India in, say, 35 years (with population continuing to grow at the present rate) then the per capita net national income must increase at the rate of 2 per cent per year, and the total net national income must increase at the rate of at least three-and-a-quarter per cent per year. To attain this rate of growth it would be necessary to make new investments at the rate of something like 10 to 11 per cent of the net income per year, that is, the rate of investment must be roughly of the order of Rs. 900 or 1,000 crores per year. This means that there must be additional investment to the extent of something like Rs. 400 or Rs. 500 crores per year over and above what is being invested at present.¹⁶

In this formulation, Mahalanobis was obviously influenced by simple econometric models of economies such as USA, and UK. In particular, the "models of the relation between increase in the national income and amount of new investments over a long period of time" convinced him of the necessity to raise the rate of investment per year to 10 or 11 per cent of net national income "in order to attain a satisfactory rate of expansion of the national economy".¹⁷ Mahalanobis further elaborated his ideas in an article published in 1953¹⁸ where he put forward an extremely elegant model of development. In this two sector model the entire net output of the economy is supposed to be produced in two sectors: one producing all investment goods and the other all consumer goods. All intermediate goods industries, according to this scheme, are split up between the two sectors such that one could obtain the net output separately for both the sectors, which add up to net national output or national

income. Moreover, the analysis concentrated on the supply side and the economy was conceived as closed. While recognising that the capital-output ratio for consumer goods industries was lower than that for investment goods industries, Mahalanobis maintained that "there is a critical range of time and as soon as this is passed, the larger the investment goods industries the larger will be the income generated. Hence it would be desirable to invest relatively more on the consumer goods industries provided we are interested in the immediate future. If, on the other hand, we are interested in the more distant future, relatively larger investment on investment goods would give distinctly better results".¹⁹

Thus the two-sector model explored the precise relationship between fractional investments in the two main sectors and the corresponding incremental output under each department on the one hand and between overall investment and aggregate output on the other. The underlying assumption of this model was the development philosophy, namely, if one wants a higher rate of growth of consumption in the long run then the best policy is to give priority to the development of investment goods industries over consumer goods industries, even though the latter might have a higher capital-output ratio and even though one 'cannot eat machines'. Indeed, this was the development philosophy of the Soviet Union in the thirties.

It turned out later on that the two-sector model of Mahalanobis was quite similar to the model developed by G.A. Feldman, the Russian economist, which was published as early as 1928 but remained unknown outside Russia until the publication of Domer's improved version in 1957.²⁰ Moreover, there is no indication that Mahalanobis ever encountered the Feldman model until the publication of its Domer's version.

The two-sector model became the basis of Mahalanobis' four-sector model on which the Plan-frame was based. The four sectors included: (1) factories producing organised consumer goods [industries], (2) small-scale and household units producing consumer goods, (3) service industries like health and education, and (4) investment goods sector. Mahalanobis assumed that all four sectors had independent capital-output and labour-output ratios. This, however, was not a growth model like his earlier models, but rather an allocation model in which the problem was to allocate the total between the sectors in such a way that a specified increase in income and in employment was reached. In this model the allocation of investment sectorwise was determined exogenously and derived from the two-sector model. Mahalanobis believed that in India, the appropriate policy of development would be to increase both consumption and

investment at the same time. "The basic strategy of planning in India should be", he noted, "on the one hand, to increase investment in heavy industries and also expenditure on services to increase purchasing power and create further demands; and, on the other hand, to increase investment and production as much as possible in the small and household industries to meet the new demands".²¹ Thus the four-sector model of Mahalanobis had two target variables: incremental employment and output levels. He showed that through proper allocation of investment among the sectors it is possible to achieve both the objectives.

The development strategy of Mahalanobis as outlined in the Plan-frame was practically a literal and descriptive account of this four sector mathematical model. It was approved in toto in the final document of the Second Plan thereby becoming the official strategy of development.

In putting forward the two chief aims of the Plan-frame, namely, increasing the national income at the rate of 5 per cent per year for the Plan period and providing 11 million jobs for the same period, the strategy of Mahalanobis was one of giving a major thrust to basic and heavy industries. In his words:

The basic strategy would be to increase purchasing power through investments in heavy industries in the public sector and through expenditure on health, education, and social services; and to meet the increasing demand for consumer goods by a planned supply of such goods so that there would be no undesirable inflationary pressures. Planning would be thus essentially a feedback process of matching a continuously increasingly (planned) demand by a continuously increasingly (planned) production giving rise to a steadily expanding economy.

In the long run, the rate of industrialisation and the growth of national economy would depend on the increasing production of coal, electricity, iron and steel, heavy machinery, heavy chemicals, and the heavy industries generally which would increase the capacity for capital formation . . . The heavy industries must, therefore, be expanded with all possible speed.²²

The logic behind emphasising the important role of the capital goods industries in Mahalanobis' scheme was his notion that the growth in national income is dependent on the capital stock which can be created only through investment of capital goods; and the latter could be realised only through the development of investment goods industries. Implicit in this logic is also the assumption of a closed economy and Mahalanobis particularly wanted India to become

"independent, as quickly as possible, of foreign imports of producer goods so that the accumulation of capital would not be hampered by differences in securing supplies of essential producer goods from other countries".²³

Since India has plenty of iron ore, coal and other natural resources, Mahalanobis believed its long-term aim should be "to manufacture capital goods within the country rather than to import them".²⁴ Accordingly a proper strategy for India would be to bring about a "rapid development of the industries producing investment goods in the beginning by increasing appreciably the proportion of investment in the basic heavy industries. As the capacity to manufacture both heavy and light machinery and other capital goods increases, the capacity to invest (by using home-produced capital goods) would also increase steadily and India would become more and more independent of the import of foreign machinery and capital goods."²⁵ Thus Mahalanobis argued for a rapid expansion of steel industry because of potential advantages to the country in the field in view of the existence of extensive and rich deposits in the country, the intimate link between the general level of productivity and ability to use machines built out of steel, and shortages of steel felt earlier and consequential drain in the foreign exchange. The development of heavy industry around the creation of an Indian iron and steel industry was considered necessary to increase the domestic supply of producer goods which subsequently would be needed to develop consumer-goods industries. This argument was also justified by the pattern of industrial development in other advanced countries where the quantity of steel production was the basis for developing the other capital goods industries.

The policy recommendation that Mahalanobis derived from his model was to establish and bring all large units of production under direct government control; to develop enterprises of a medium size on a cooperative basis; and leave small units of production to household enterprise. For the proper development of small scale industries Mahalanobis suggested that "there should not be any fresh investment to expand factories which compete with the small and household units of production". He believed that such a policy of dispersal would have political advantages. "It would avoid, on one hand, the disadvantages of heavy concentration of financial power in the hands of a small number of monopoly capitalists; and, on the other hand, would also avoid the rigidities of a highly centralized, bureaucratic administration." Moreover, a policy of industrial dispersal would "combine the advantages of both economic and political democracy in an effective manner" which would be a "solution entirely in keeping with Indian social and cultural traditions".²⁶

Although this balancing of heavy industry and decentralised household industry in Mahalanobis' Plan-frame has been criticised by many economists for not being on very 'solid economic grounds',²⁷ politically it was most acceptable at the time not only to the Gandhians and the Congress party but also to the government and the socialists. Indeed, the Mahalanobis model of development was a 'politician's dream' which was a 'synthesis of socialism and sarvodaya'²⁸ because it reconciled the differences between the Gandhians, who espoused the idea of developing cottage industries, and the supporters of large scale industries and of public sector.

Mahalanobis also wanted some structural change in the economy and he recommended: (1) fixation of ceilings and procedural arrangements for the redistribution of land to peasant cultivators, and (2) expansion of the public sector. He was most emphatic about the latter: "Key industries would be established and developed in the public sector The public sector must be expanded rapidly and relatively faster than the private sector for steady advance to a socialistic pattern of economy. In order to make available large capital resources for investment and national development and to facilitate the implementation of the Plan, government will be prepared to enter into such activities as banking, insurance, foreign trade or trade in selected commodities."²⁹ Thus Mahalanobis had proposed a total outlay of Rs. 5,600 crores of which 3,400 crores was to be in public sector and 2,200 crores in the private sector.

It is important to note that the proposed investment in the public sector was about double of the planned estimates in the First Plan; and the estimated investment in the private sector was about 40 per cent higher. Physical targets of production were set up and they were particularly high for coal, aluminium, steel, cement, heavy chemicals and heavy machinery.³⁰

Such were the recommendations of Mahalanobis about planning and industrialisation. The Plan-frame, which he had completed in collaboration with the Central Statistical Organisation, the Economic Division of the Planning Commission and the Department of Economic Affairs of the Ministry of Finance, was intended to be simply a convenient starting point for planning within a flexible but connected framework. Mahalanobis had expected that this 'draft of a draft' to be revised and issued as a draft in the form of a document of Planning Commission. This, however, did not happen mainly because of the general acceptability of the Plan-frame's approach and the shortage of time; thus the Plan-frame was issued in his name in its original form.

Once the Plan-frame was submitted to the Prime Minister on March

17, 1955 and the associated working paper, which gave detailed technical information, on March 21, 1955, they went through various channels of decision-making bodies and the Planning Commission issued the Draft Second Five-Year Plan on February 10, 1956 and the Plan in the final form was published only in November 1956. The Plan, however, retained the core of Mahalanobis strategy and his "analytical model had a basic influence upon the plan's investment decisions". The investment and sectoral allocations in the Second Plan thus differed very little from the one proposed in the Plan-frame.³¹

Upon the publication of the Plan-frame for general information and comment, there was much discussion in the newspapers and journals of opinion and the public opinion appeared to be favourable towards the Plan strategy. Unlike the Soviet debate on industrialisation³² and the nature of the First Plan that took place between 1926 and 1929, the debate in India mainly focused on the size of the Plan and on the relative emphasis to be placed on the various sectors. There was no consideration of alternatives; the first alternative to the Plan-frame was presented by Vakil and Brahmanand towards the end of 1956.³³

The Plan-frame has been a subject of intense debate among economists in the late fifties and early sixties. While some criticisms are general and theoretical in nature others are more technical and methodological. For example, Tsuru³⁴ has pointed out that Mahalanobis' four-sector model neglects the demand side altogether and Komiya³⁵ showed how the Mahalanobis model could be easily converted into a linear programming one, which could give a larger increase in national income than that which the model gives, so that the latter is not necessarily an optimal solution. According to Bhagwati and Desai the Mahalanobis model did not spell out the statistical source of the parameters relating to labour-output and capital-output ratios.³⁶ It has been further pointed out that his division of investment in two categories (consumption goods and investment goods), although theoretically meaningful, is impossible to implement in practice.³⁷ The Mahalanobis models have also been criticised for their failure to take into account the impact of foreign trade on the variables³⁸ and his increased reliance on cottage industries for expanding consumer goods production was said to undercut the market for modern types of factory equipment which were to be produced by the expanding investment goods industries.³⁹ Finally, his models have been criticised for being devoid of institutional implications.⁴⁰

Criticism of this kind makes one wonder why Mahalanobis did not make his model more efficient and consistent given the fact that he

and his research staff at the ISI did not lack the technical skill to do so.⁴¹ The answer perhaps lies in understanding and examining the Mahalanobis approach to planning and economic development in his effort to provide a blue print for Nehru's vision of a socialistic pattern of society which, at the same time, would be acceptable to the government, the ruling party and the opposition. Mahalanobis repeatedly emphasised in his writings that his theoretical reasoning was influenced by considerations of policy, and was, therefore, operational in that sense. The problem that he sought to solve in the Plan-frame was one posed to him by the Finance Minister in September 1954: "Is it possible to prepare a Plan which would enable unemployment being liquidated in 10 years and which would also provide for a satisfactory increase in national income at the same time."⁴² Mahalanobis responded by finding a feasible method of bringing about a continuing economic development of the country.

In developing his four-sector model Mahalanobis started by accepting the two propositions of the government that the maximum fund available for net investment during the Second Plan would be of the order of Rs. 5,500 crores and that it was necessary to provide for 10 to 12 million new people in the labour force during the Plan period. He, however, added a third proposition, in response to the question posed by C.D. Deshmukh, that a reasonable rate of increase in national income during the five-year period would have to be 25 per cent or 5 per cent per year. He had already concluded from the two-sector model that a reasonable target for investment in investment goods industries would be roughly one-third of the total investment. What Mahalanobis then did was to put all these in a simple simultaneous equation system to obtain his solution. It is, therefore, apparent that in formulating his planning models Mahalanobis was not that concerned with the "refinement and niceties of deductively arrived economic theories", nor he aimed at preparing a logically consistent and theoretically valid Plan-frame as a contribution to theoretical economics.⁴³ Rather, his models, developed in an atmosphere of pressing policy needs, had a very limited object in view, namely, suggesting methods which were practicable under Indian conditions.⁴⁴ For Mahalanobis the models did not have any permanent value of their own; he used them as "scaffolding to be dismantled as soon as their purpose was served". Mahalanobis, however, was confident that his keen sense of empiricism, which focused attention on the great paucity of statistics, had led him to formulate the Plan-frame which had "internal consistency, valid technical reasoning, and a correct appreciation of social needs".⁴⁵ In this effort his background as a physicist by training was definitely helpful to Mahalanobis; it helped him in abstracting and

concretising the problems and ultimately arriving at 'reasonable solutions'.

The model that Mahalanobis adopted, as the critics point out, was in many respects an overly simple one. However, it is this simplicity of his model that has recently been described by some economists to be its great merit. As Sukhamoy Chakravarty argues, "Conceptually, the Mahalanobis construct can be discarded only if the capital-theoretic assumption underlying the model could be shown to be false To date, no such demonstration has been forthcoming."⁴⁶

Yet, the approach of Mahalanobis to planning lacked any sociological orientation. Since every one working on the Plan-frame was drawn from the fields of physics, statistics and economics (economists played the least significant role), they lacked a proper understanding of the social conditions of the masses and therefore they could not take into consideration the response to policy-decisions that might be expected. It seems that the importance of sociological consideration in Indian planning was completely overlooked due mainly to the biases of Mahalanobis and other planners who were drawn mainly from the physical sciences. Limited as their role had been, the Panel of Economists also showed no interest in the sociological considerations while considering the Plan-frame in April 1955. Nor did they point out the failure of Plan-frame, with the exception of B.R. Shenoy, in taking explicit account of savings--a subject of foremost importance to the economists looking at growth. Despite these weaknesses, the Mahalanobis strategy was accepted by a large number of Indians, and consensus emerged that rapid import substitution with an emphasis upon heavy industry was the way India should achieve economic development. Moreover, it was also enthusiastically supported by a group of distinguished foreign experts on planning who visited the Indian Statistical Institute during 1955-56. It is to the role of the foreign experts in the formulation of India's industrial strategy that we turn now.

THE FOREIGN EXPERTS AND INDIA'S INDUSTRIALISATION

In the formulation of the Second Plan's strategy of industrialisation Mahalanobis and the Indian Statistical Institute (ISI) under his guidance played a historic part. Mahalanobis had started studies on planning with the establishment of the Operational Research Unit at the ISI in 1953. In November 1954 Nehru formally entrusted him with the task of preparing a preliminary outline of the Second Plan and the Institute started functioning as the Planning Commission's agency for the study of the technical and statis-

tical problems relating to national planning. Shortly thereafter, Mahalanobis started inviting a number of distinguished economists and planning experts to the Institute for short visits to participate in the work on planning. Since the ISI was the "intellectual centre for formulation of the Second Plan", the presence of these foreign experts at the Institute, most of whom were Marxist economists, makes it necessary to examine their role in the formulation of Mahalanobis' new industrial strategy.

Charles Bettelheim, the French Marxist economist and the editor of the journal *Planification*, who visited the Institute three times between 1953 and 1956, wrote a number of papers for the 'guidance of Indian planners'. In his influential paper entitled "scheme for a model of reasoning for the elaboration of the Second Five-Year Plan"⁴⁷ Bettelheim emphasised, on the one hand, the need for higher investment in large scale industry and mines and, on the other, to double the net national availability (income) in 10 years. He calculated, based on the Soviet experience in planning, that an average rate of increase of about 7.5 per cent per year would yield the desired objective of doubling the national income over a period of ten years although he did recognise that it would not be possible to provide full employment to the working force in India over the same period.

Bettelheim's hypothetical model for the Second Plan involved a total investment of Rs. 6,980 crores in both public and private sector. In the sectoral distribution of total outlay the share of large-scale industry was 37.2 per cent (this share was 41 per cent in the First Soviet Five Year Plan) and agriculture's share was 20.1 per cent while the investment in small scale and cottage industries was considerably lower (5.7%).⁴⁸ Mahalanobis considered his approach to be valuable, and that it had a "good deal in common with the approach of the Plan-frame in regard to the setting up of the targets and the working out of the physical balance".⁴⁹ However, the differences between the two were much more striking. Whereas Bettelheim wanted far-reaching institutional and economic reforms, severe controls and indiscriminate extension of public sector, Mahalanobis was more realistic in proposing modest reforms and limiting the public sector to heavy and basic industries.

Oskar Lange, who was a strong critic of foreign capital and an advocate of nationalisation of industries, was the most controversial of all the visiting experts. In the articles that he wrote during his stay with the Institute in 1955-56 Lange emphasised the idea of rapid industrialisation in the developing countries through public investment.⁵⁰ Typically, he denied any positive role to foreign capital in the economic development of the third world

countries because, according to him, it was always "ready to come to the underdeveloped countries as monopoly capital under colonial and semi-colonial conditions". But he was quick in adding that "under certain favourable conditions as in the case of large and strong countries like India, with strong rivalries among different groups of foreign monopoly capital and with economic aid from non-capitalist countries, foreign capital may be utilised to a certain extent for economic development."⁵¹ However, the extent to which this can be done remained strictly limited in his analysis. Lange, therefore, advocated industrialisation and self-reliance for India through raising the level of domestic capital formation, largely to be derived from "taxation, state loans and a certain amount of deficit financing".⁵²

Though the contribution of Lange was more theoretical and abstract in nature and he refrained from giving any policy advice to Indian planners, the big business was nonetheless suspicious of his presence at the Institute mainly because of his strong advocacy of the development of a public sector as a precondition for the industrialisation of underdeveloped countries. There is, however, nothing in the Plan-frame or in India's economic policies of this period to suggest the influence of Lange's ideas. The Plan-frame did not raise the question of nationalisation of major private industries, as the issue was already settled in the Industrial Policy Resolution of 1948 in which the government for the first time defined a conception of 'mixed economy' with spheres allocated to public and private sectors. While the government reserved the right to take any industry vital for national defence in case of emergency and stated that the state has the inherent right to acquire in the public interest any existing industrial undertaking, the Resolution expressed its unwillingness, as a matter of policy, to take over existing enterprises. Though the industrialists accepted State intervention in the industrial (basic and heavy) field without any reservation, as they were unwilling to tie-up wealth in long-term investments, they were apprehensive of the future nationalisation of private industries. The Industrial Policy Resolution of 1948 had guaranteed protection against nationalisation for a period of ten years. Yet the fear of the industrialists was unfounded as the Industrial Policy Resolution (IPR) of 1956 did not even refer to the question of nationalisation. As it turned out most of the benefits of the investment in public sector have directly gone to the private sector as necessary inputs.

The contribution of the Soviet team of experts was not very significant compared to others. M.I. Rubinstein was the only Soviet economist who had intellectual involvement in the 'planning of

Indian planning'. Reports vary about Rubinstein's effectiveness in this assemblage of world expertise at the ISI. "Those who were favourably impressed by his contribution", writes Clarkson, still rated it "lower than that of Oskar Lange or Charles Bettelheim--both Marxists who were strong in intellect and more respected in their policy advice".⁵³ On the other hand, in the judgement of C.D. Deshmukh, the former Finance Minister, it was Joan Robinson who was "the most influential foreign economist with her left-leaning sympathies and her theoretical rigour."⁵⁴ Rubinstein, however, was convinced that India's effort to accelerate industrialisation and build-up a state-owned heavy industry producing means of production would inevitably move the country in the direction of socialism. In the articles published in the *New Times* (Moscow) he categorically stated that the Nehru government's acceptance of a socialist pattern of society meant that India had embarked upon the path of non-capitalist development towards socialism.⁵⁵

The contribution of the Soviet team of statisticians headed by Degtyar (the team included I.Y. Pisarev and P.M. Moskvina) was academic: they gave papers on Soviet statistics, but not advice on Indian practice.

More important than the participation of the Soviet experts at the ISI was the advice that Mahalanobis had received from the Soviet economists during his visit to Moscow in 1952. He was strongly advised by Strumilin and Varga against forced industrialisation (recalling the Soviet Scissors crisis of late 1920s), too much nationalisation and too large a steel target for the Second Plan.⁵⁶ They even supported his inclination to support small-scale cottage industry along with heavy industrialisation. Although it is difficult to ascertain the extent to which Mahalanobis was influenced by such advice, and there were other reasons for accommodating cottage industry in the Plan-frame, it is reasonable to assume that it helped him in adapting the Stalinist model to suit India's political conditions and economic needs.

The contribution of other visiting experts was particularly methodological in nature. Ragner Frisch, for example, presented a computable model which he called an 'experimental Plan-frame'⁵⁷ and Richard Goodwin worked out an input-output table relating to 1950-51 based on the tabulation of a sub-sample of the National Sample Survey which was used to estimate the overall activity of the plan and the sector breakdown of costs.⁵⁸

Despite the active participation of the visiting experts in the intellectual activities at the ISI during the formative months of the Plan-frame, they refrained from giving any specific advice on questions of policy. The basic decisions were taken by the small

group of Indian statisticians and economists who were working on the Plan-frame. (This group included Pitambar Pant, 'the Private Secretary to the Chairman, Planning Commission since 1952, Moni Mukherjee, head of the National Income Unit in the CSO, I.G. Patel of the Economic Division, Ministry of Finance and J.J. Anjaria, Chief, Economic Division, Planning Commission.) The greatest benefit of this interaction, writes Mahalanobis, was that "through contacts with such eminent experts from different countries we gained confidence in our way of thinking." Therefore, consultation with these experts reinforced Mahalanobis' own thinking on industrialisation and planning.

It would, however, be a mistake to think that all visiting experts were necessarily in agreement over Mahalanobis' planning strategy. Some economists differed radically with his industrial strategy suitable for India. A notable example is Paul Baran, who had misgivings about the division of the proposed investment between the public and private sectors as envisaged in the Second Plan. He was of the opinion that it "leaves to the government all the projects that by their very nature are bound to be most difficult, and most seriously hampered by lack of skilled manpower, of industrial tradition, etc. It reserved at the same time to private business such enterprises as are more readily established and operated". The result, according to Baran, would be "a 'socialisation of losses' accompanied by private appropriation of rising profits."⁵⁹ He, therefore, recommended that the public sector should not only concentrate on basic and heavy industries, which have long gestation lag, but should also include a sufficient number of those industries which would yield satisfactory profit. Baran, moreover, stood for a larger investment plan (by raising of investible surplus) than the Second Plan through radical changes in economic structure and ownership of the means of production.⁶⁰ Joan Robinson, on the other hand, was more concerned with the problem of technological choice for creating employment and was therefore skeptical of the programme concerning household and cottage industries,⁶¹ especially in so far as Mahalanobis thought that it would generate employment.

Thus Baran and Robinson favoured far-reaching structural and institutional reforms. Mahalanobis could not have advocated the idea of nationalisation of private industries as the government had already made it clear through the IPR of 1948 that there would be no nationalisation of the existing industries. He was also constrained by the Constitution of India provision which made the fundamental rights, including the right to property, justiciable. The IPR of 1956, moreover, guaranteed to the private sector the opportunity to

develop and expand in all industries which were not included in Schedule A and B (Schedule B consisted of industries in which the state was to take initiative in establishing new undertakings, but in which private enterprise was expected to supplement the effort of the state). The Plan-frame, nevertheless, had assumed two important structural changes: (1) land reforms, and (2) expansion of public sector. Mahalanobis had strongly recommended that the "fixation of ceilings and procedural arrangements for the redistribution of land to peasant cultivators must be completed by 1958"⁶² in order to stimulate agricultural production which would provide a large market for growing output of industry and handicrafts. However, the inability of the government to carry out land reforms successfully seriously undermined the strategy of Mahalanobis.

The foregoing discussion suggests that the role of foreign experts was either limited to providing assistance of technical nature or their intellectual participation at best helped Mahalanobis clarify his own ideas. Years after the adoption of the new strategy of development, Mahalanobis acknowledged that the input of foreign experts in the formulation of the Second Plan was minimal. The Plan, he claimed, would not have been any different even without their participation.⁶³ Since India was learning about planning, consultation with experts from socialist countries was natural.

Mahalanobis indeed drew intellectual inspirations from the success of planning experience in the socialist countries, notably the Soviet Union (nor did Nehru ever hid his admiration for the Soviet planning), but he adapted the Stalinist model of planning to suit India's social and political conditions. The most innovative adaptation of Mahalanobis was his acceptance of cottage industries for generating employment and providing consumer goods along with his emphasis on basic and heavy industry. This 'curious blending' of Soviet and Gandhian economic philosophies in Mahalanobis model may not have been on 'solid economic grounds' but was politically most acceptable to the government, the Gandhians and the socialists. Some observers have commented that India's industrial strategy was an effort to "reconcile the two irreconcilable philosophies"⁶⁴ and therefore was least likely to be successful. It should be remembered that Mahalanobis after all was a technocrat who had to keep in mind the ideological and practical considerations of political decision-makers who were ultimately responsible for accepting that strategy. The Mahalanobis strategy therefore could best be understood against the historical background of the debate about industrialisation in India that took place during the freedom movement and by analysing the political developments in the early years of

independent India. The following discussion would suggest that the development strategy in general and that of industrialisation in particular adopted in the Second Plan was not completely new, rather it was rooted in the economic thinking that had developed in the late thirties and early forties.

LIMITS TO STATE ECONOMIC ACTIVITIES

The Industrial Policy Resolution (1948) and Fundamental Rights (Right to Property) under the Constitution

Independence dashed every hope entertained by Indian business. A series of governmental actions (such as the budget proposal of Liaquat Ali Khan, the new government's labour legislations, proposed regulation and control of private industries, and general talk about nationalisation) had led to a crisis of confidence in which business felt unable to plan for the future. In particular, the recommendations of the Economic Programme Committee of Congress that there should be a socialist type of development in India under which the basic and key industries would be developed under social ownership had frightened the industrialists. Apprehensive of Congress party policy moving to the left and Nehru being able to use state power to nationalise private industries, the industrialists turned their back on long-held views about the positive role of the state in India's industrialisation and they partially retreated from the position taken in the Bombay Plan. Realising that they were no longer engaged in planning for a relatively uncertain future, the industrialists sought to gain maximum concession by putting pressure on the government and argued from the standpoint of their narrow class interest.

The foremost concern of big business after independence was to check the left-ward move of the Congress. It responded by strengthening the hands of the Congress right and, at the same time, by keeping Nehru 'on the right rails' by putting sufficient pressure on him. This strategy seems to have had far-reaching effects as big business succeeded in influencing two major government pronouncements: the Industrial Policy Resolution of 1948 and the constitutional provisions regarding right to property.

The Industrial Policy Resolution was the declaration of the government's policy towards the private sector. The strategy of the industrialists to press for their demands through the right wing leaders of the Congress proved to be effective in securing important concessions from the government. The Congress right, especially Patel, successfully opposed the recommendations of the Economic Programme Committee and thus checked the left-ward move of the

Congress.

Patel, who was the boss of the machine and the spokesman of the right, had always opposed the idea of nationalisation and government entering the sphere of large-scale industrialisation. Instead, he wanted the government to concentrate on village and small-scale industries and leave industries with heavy investment potential to the industrialists "who had been at it for years and who had generally developed the required skill". Yet the differences between Patel and socialists in the Congress remained submerged in the interest of unity as long as independence was the primary goal. It, however, came to the fore during the period of duumvirate.⁶⁵ Patel's special position within the party allowed him to assert on a new industrial policy during the negotiations between the government, industrialists and labour. It was, therefore, at his insistence that the Resolution regressed from the principles of socialist type of development as recommended by the Congress Economic Programme Committee. The Resolution stated that "a mere redistribution of existing wealth would make no essential difference to the people and would merely mean the distribution of poverty. A dynamic national policy must, therefore, be directed to a continuous increase in production by all possible means, side by side with measures to secure its equitable distribution."⁶⁶

Thus, notwithstanding the Congress purpose of evolving a social structure which would "provide an alternative to the acquisitive economy of private capitalism and the regimentation of a Totalitarian State", the Resolution did not offer many guarantees against the development of private capitalistic interests and even of private monopolies. The extent to which the government granted concessions to the private sector, presumably to win its confidence, could be seen by comparing the 1948 Resolution with the Industrial Policy Statement announced by the government of India in 1945. While the Government Statement of 1945 advocated explicit government control of 20 key industries and ownership of many heavy industries and also nationalisation of basic industries of national importance if adequate private capital for their development was not forthcoming, the 1948 Resolution highlighted the acceleration of industrial growth and for that reason eschewed nationalisation of the existing key industries for a period of at least ten years. Significantly, the government relinquished nationalisation as a means of rapid transfer of developmentally strategic industries into the hands of the state, and was sticking instead to the policy of creating ab novo the public sector by investing public funds in new enterprises and facing in many fields open competition from existing private interests.

It may appear that the Resolution was trying to steer a middle path between the insistence of the left expecting a quick implementation of a social and economic objectives of the national movement and the pressure from the right interested in promoting an avowedly capitalist industrialisation. However, the actual record of the policies followed on the basis of the Resolution, as amended in 1956, shows that private monopolies grew and the private sector was not prevented from entering into some of those industries originally reserved for the state. The government, on the other hand, following the announcement of the Industrial Policy Resolution tried to woo and reassure business, repeating the Resolution's major themes at every opportunity. Several ministers, including the Home Minister, the Finance Minister and the Prime Minister, elaborated upon the government policy as stated in the Resolution.⁶⁷

What necessitated this tireless reassuring of business by important leaders was the government's recognition of the need to ward off social chaos with increased production and employment. Since more than nine-tenths of total output and employment and more than seven-tenths of output in modern industry were within the private sector, it was clear that "private sector held most of the cards". The reassurances were thus followed by concessions made in fiscal and monetary matters. For example, between 1948 and 1950 Capital Gains Tax and the Business Profits Tax were abolished, depreciation allowance and income tax exemption were provided for a wide range of new industrial undertakings, and personal income and super-tax, together with company taxation were reduced. Most importantly, the government also came forward to set up special financial institutions for extending much needed long-term credit to private industry.⁶⁸ Furthermore, the industrialists succeeded in convincing the government that the urgent need of production must transcend the requirements of ideology. So successful was their effort that even Nehru became convinced that in the absence of increased productivity his socialism would mean nothing but distributing poverty. "The basis of socialism is greater wealth", wrote Nehru, "there cannot be socialism of poverty. Therefore, the process of equalization has to be phased"⁶⁹

Equally significant was the industrialists' input in the framing of constitutional provisions on Fundamental Rights, especially the right to property. They exerted considerable influence, mainly through the right wing leaders of the Congress, such as Sardar Patel, Rajendra Prasad and C. Rajagopalachari, in making the right to property justiciable. Owing to the difference of opinion, the property rights were intensely debated and it took the Assembly more than two years to draft the final version. As the records of the

Fundamental Rights sub-committee show that the property right was finally made justiciable on the insistence of Sardar Patel⁷⁰ thereby making it difficult, if not impossible, to nationalise private industries. Furthermore, the framers of the Constitution did not integrate economic planning explicitly into the federal democratic political framework due largely to the apathy of the conservative leaders of the Congress. These developments had far-reaching effects on India's future developmental strategy as they led to the creation of institutional and legal framework within which planned economic development was to take place.

GOVERNMENT BIG BUSINESS RELATIONS

From Confrontation to Cooperation

Though industrialisation was considered crucial for India's development by the signatories of the Bombay Plan and the members of the National Planning Committee, it was given low priority by both the government and private capital in the years following independence. Between 1947 and 1953 private capital remained hesitant in making new investments due mainly to uncertain political situation. Even though the experience of the war had stimulated active discussion to encourage industrial growth, expansion was slight. There was, in fact, a sharp decline in the industrial production in the first three years of independence; and the export boom created by the Korean War was short-lived. It was, however, not until 1954 that the government turned to industrialisation as a solution to the problems of economic development and unemployment. By the mid-fifties big business felt confident of the government economic policy and therefore lent support to the new industrialisation efforts. The conditions that led to the development of a consensus between the government and big business over industrialization would thus be examined in the following paragraphs.

As noted in the previous section, in the years following independence the government wanted to win the confidence of the private sector. Toward that end it continued to woo private capital through the early fifties. Thus the First Five Year Plan, a substantial part of which was revised and rewritten by Nehru himself, appeared to be in deference to the private sector. It paid virtually no attention to India's industrialisation and there was hardly anything in this plan with which conservative Congress leaders would have disagreed.

In the First Plan every effort was made not to encroach on the 'sensitive' industry in the private sector. The planners conceded that "the expansion of industrial production during the period of

the Plan would be largely the responsibility of the private sector".⁷¹ In the allocation of resources they allocated a mere twelfth of total planned expenditure to industry compared to over a half in the first of the three plans proposed in the Bombay Plan.⁷² The investment priority of the First Plan thus amounted to the expansion of social overheads and of agriculture.

The government went further than that to win the confidence of the private sector. It reversed the pro-labour bias of early independence. Much of the legislation passed then were either amended or not implemented to suit business interests. Quite often regulations were not observed. How far the government went in accommodating business interests is evident in the statement of the Secretary of the Ministry of Commerce and Industry that "if Parliament were given its head, there is little doubt that it would unerringly veer to the left Government had so far succeeded with pre-eminent success in diverting these tendencies".⁷³ So far did the government go in meeting private sector demands that at one point it seriously considered opening the steel industry to private capital. In fact, it went far enough in the direction to arouse criticism from business for neglecting industry.

Despite this reconciliatory attitude of the government, Nehru continued his admonition of big business in public pronouncements. Addressing the Federation of Indian Chambers of Commerce and Industry (FICCI) shortly after the victory of his party in the first general election Nehru warned that "if private enterprise clashes with the interests of the country as a whole, it will have to be put down or perhaps have to go root, trunk and branch".⁷⁴ Such admonitions, however, were no longer taken seriously by big business. Over the years it had learnt the basic weakness of Nehru that his political actions were much more sober and 'realistic' than his ideological flights. Birla had recognised the paradox in Nehru⁷⁵ as early as 1936 when he wrote to Purshotamdas Thakurdas that "he seems to be out for giving expression to his ideology, but he realises that action is impossible and so does not press for it".⁷⁶ The wide gap between Nehru's theory and practice was now generally recognised.

The industrialists had reasons to feel satisfied with Nehru government's policies. The gulf between Indian state and private sector was becoming narrower, and the beginning of the Second Five-Year Plan, which provided substantial scope for the growth of the private sector, "inaugurated a new era of cooperation".⁷⁷ Whereas between 1947 and 1953-54 Indian businessmen tended to retain the psychology of a trader and speculator interested in quick profits rather than long-term productive investments,⁷⁸ they seemed to have

changed suddenly in the mid-fifties. The turn-about came in the winter of 1953-54 when supplies of raw material became plentiful and a record harvest showed that India had a potentially vast consumer market. At the same time, the terms of trade shifted in favour of the industrial sector. These developments gave a new confidence to Indian capital and it turned towards industries.

A number of domestic and international factors--the expansion of the First Plan by 15 per cent effective from January 1954, growing trade with Eastern Bloc countries, rising inflationary pressures in Western Europe and the United States--helped the growth of industrial production at this stage. There were enough signs of industrial boom around the mid-fifties: corporate investment increased nearly three times between 1953-54 and 1955-56, and indices for important investment goods, such as cement, coal, iron, tyres, sulphuric acid, showed upward trend for private sector. However, this boom did not get very far before running into production bottlenecks. The dependence of Indian industries on imported basic materials like steel whose prices were rising and the short supply of a variety of capital goods such as coal and electricity hindered production by the end of the First Plan. These production bottlenecks reminded Indian industrialists of the frustrations experienced during World War II and they inevitably returned to the solution they had put forward in the Bombay Plan. Thus the growing realisation that 'industrial reconstruction of India' was beyond the capacity of the private sector and that it required state action made the industrialists accept the government priority of public sector investment which was heavily biased in favour of producer goods industries, such as steel, heavy machinery, machine tools and fertilisers.

THE IDEOLOGY OF INDUSTRIALISATION

Emergence of a Consensus Between the Government and Big Business

The ideological basis for a bolder step towards industrialisation was provided by the Congress party in its proclamation of the goal of the 'socialist pattern of society' in January 1955. Nehru was the moving force behind the passage of the Economic Policy Resolution at the Avadi session of the Congress which resolved that "planning should take place with a view to the establishing a socialistic pattern of society, where the principal means of production are under social ownership or control".

Two elements of the Avadi declaration stand out in importance: the increased role of government in developing heavy industry, and the positive role assigned to private enterprise. Both stemmed from

the belief that India had to industrialise more rapidly than the pace called for in the First Plan. The Second Five-Year Plan and the new Industrial Policy Resolution of April 30, 1956 were thus formulated partly in response to what the Indian National Congress and the Union Government regarded as essential to a socialist pattern. Though a precise definition of socialist pattern of society was never given by Nehru or the Congress party, a careful review of the speeches of Nehru, the resolutions of Congress and the debates in Lok Sabha suggest that the greatest emphasis was placed on production which was to be raised through increased investment in heavy industry to be developed in the public sector. Yet, fearing the disruption of industrial production, the government adopted a liberal attitude towards the private sector and it showed willingness to make concessions to private industries. Thus the Avadi resolution assigned positive role to the private sector and the Industrial Policy Resolution of 1956 accorded full legitimacy to it. The Resolution stated that it would be the policy of the government to encourage private enterprise "by the development of transport and power and other essential services, by appropriate fiscal policy, by fostering institutions to provide financial aid, and on occasion by supplying direct financial aid". This moderate tone of the Resolution and appreciation of the role that private enterprise was expected to play in rapid industrial development was in marked contrast to earlier statements.

It is suggestive of the government attitude that following the announcement of socialist pattern of society, Congress ministers started giving reassurances to businessmen. In several official pronouncements an effort was made to make a clear distinction between state enterprise and nationalisation. For instance, the Congress Committee at Ajmer made it explicit in July 1954 that "the resources of the country should be utilised in building new state industries and not in nationalising existing private industries, except where this is considered necessary in the national interest". It further maintained that "the private sector is both important and necessary in the industrial development of India and should be given adequate freedom to develop, within the limits of the National Plan".⁷⁹ In pursuance of this declaration, Nehru's government showed reluctance to nationalise private enterprises.⁸⁰ Private business thus won its first ideological battle against the government.

The response of Indian business to the announcement of a 'socialistic pattern' was, therefore, calm and somewhat favourable. G.D. Birla expressed his satisfaction with the Avadi Resolution when he told the FICCI members that industrialists should welcome the

'socialistic pattern of society' in its own interest. 'Socialism', he maintained, "must depend on production of more wealth". Since the emphasis of the government was on production and not redistribution, J.R.D. Tata was willing to give it a try and the Secretary General of the FICCI was confident that "the private sector will have an important role to play" in a socialistic pattern of society.⁸¹ The new Industrial Policy, which was Nehru's variant of 'socialisation of the vacuum'⁸² - as the government concentrated public investment in those areas of the economy which were totally free from private interests, was indeed encouraging to the business community. While the public sector of industry was substantially enlarged, the government allowed the existing private enterprise to continue and even expand present units in the reserved category (Schedule A). Thus business accepted the development philosophy and industrial policy of the government though it opposed, from time to time, some of the specific proposals such as nationalisation, increased taxation, the Fourth Amendment, state trading and the Companies Bill and Act.

It is also significant to note that the industrialists accepted Nehru's leadership and agreed with the progressive goals of the government notwithstanding the leftist image of Nehru and socialist pronouncements of the Congress. This was partly due to their insight into certain theoretical problems like recognition of the relative autonomy of a democratic party. The industrialists, therefore, never tried to treat the Congress as the exclusive mouthpiece of their narrow class interest. Rather, they kept adjusting their attitude towards the party and devised new strategies so that they may wield the maximum possible influence over it. They also realised that the government is a relatively autonomous "changing bloc of classes, parties and political forces".⁸³ Since no class can claim sole hegemony over it, it was necessary for them to sacrifice and compromise on certain issues. Thus they were willing to give up some of their short-term interests in favour of their long-term interest, namely, the maintenance of the existing economic system and the state structure. Since the Nehru government had "successfully maintained law and order and had provided an atmosphere for economic growth in which the private sector was expanding and profits were rising", the business community was willing to accept Nehru's socialism and government control and regulation of private industries.

Thus by the mid-fifties the gap between the Congress government's economic policy and the demands of Indian business had narrowed considerably. Businessmen recognised that in spite of the endorsement by the Congress party executive of "socialist principles of

state ownership, regulation, and control over key sectors of the economy in order to improve productivity and curb economic concentration", the Nehru government pursued liberal economic policies.⁸⁴ They also felt satisfied with the lack of ideological undertoning in the planner's justification of the Second Plan's emphasis on 'heavy', 'basic' or 'producer goods' or machine building industries. Though not aimed at appeasing businessmen, the rationale provided by the planners that the heavy industry strategy would quicken the pace of capital formation, was of course to their liking. Whatever their intention, the planners did try to demonstrate that they were non-dogmatic in approach and that they did not yield to ideology. Yet it remains true that the economic rationale and technical constructs provided by the planners followed the political commitment to heavy industry strategy. In fact, Nehru's commitment to this strategy was partly in response to the political developments that took place in India between 1953 and 1955.

Industrialisation: Nehru's Policy Response to the Criticism of Left Parties

The First Plan, which was oriented towards agriculture, community development and social services rather than industries, came under serious attack from the socialists and the communists at the time of the first general election. Unemployment, particularly urban unemployment, which began to show a marked upward trend when the First Plan was half way through, became an issue in national politics. The Praja Socialist Party (PSP) was most vocal in criticising the government for neglecting the unemployment problem and on this issue the socialists won a crucial by-election in Agra in July 1953. It was followed by the mid-term elections in PEPSU and Travancore-Cochin in 1954 and in Andhra in 1955. In Andhra and Kerala the strongest opponents of the Congress party were the communists and socialists. The Communist party had long criticised the economic policy of the Congress in general and the size and priority of the First Plan in particular. By referring to the Visvesvaraya and the Bombay Plan, which gave greatest emphasis to industrialisation, the CPI leaders argued that the First Plan had regressed from the declared objectives of the pre-independence plans in order to become "acceptable to the imperialist opponents of industrialisation".⁸⁵ The fact that the First Plan did not even make a modest beginning in the direction of industrialisation was used successfully by the communist leaders to their own political advantage. The socialists, on the other hand, were especially critical of the failure of the government to give adequate encouragement to cottage and small-scale industries. The growing popularity of the PSP, though confined to

certain regions, was thus a cause of concern to the Congress leaders.⁸⁶

It is, therefore, not a coincidence that unemployment became the main concern of the government and the Congress party between 1953 and 1955: in October 1953 the NDC gave unemployment priority over food; in July 1954 the AICC viewed with concern the unemployment that existed in urban areas; and at Avadi in January 1955 the famous resolution on the 'socialistic pattern of society' called for full employment within a period of ten years. So much the government became occupied with the problem of unemployment that the Finance Minister specifically asked Mahalanobis to prepare a plan that would eliminate unemployment in a period of ten years. Thus it could be argued that since the political challenge to the Congress government came from the PSP and CPI, and not from the rightist parties, the Congress leadership had to compete on their terms. This determined to some degree Nehru's choice of industrialisation as a solution to the problem of unemployment and his advocacy of the expansion of the public sector as a step towards socialism. By putting emphasis on the small and cottage industries at the same time--by allocating in the Second Plan more than six times of the level in the First Plan for the development of village and small industries, Nehru further succeeded in pacifying the Gandhians and socialists. Thus the new development strategy, which concentrated investment in infrastructure (transport and power) and steel, became by and large acceptable to both the left-wing opinion and to the industrialists. The former saw in it a step towards national economic development, while the latter realised in particular, that the 'multiplier effect' of public investments would provide them with new possibilities and increased profits. So successful was Nehru's development strategy that the communists enthusiastically supported the Second Plan's priorities and were disappointed when its industrial targets were reduced a little in the final stage and some socialists seriously considered cooperating with the Congress government in development efforts. The new approach to industrial and economic development as outlined in the Second Plan had won such a wide acceptance that they virtually became the election manifesto of the Congress party in the second general election.

It follows from the above discussion that Nehru was the main force behind committing the Congress party and the government to the socialistic goals and a new development strategy. As the Prime Minister and effective leader of the Congress, he tried to coordinate the policy of the party with the mobility of the administration. Though Nehru achieved integrity of outlook, he was unable to mobilise the party support in favour of the implementation of

agrarian reforms. For Nehru, the success of the new development strategy depended, to a large extent, on the increase in agricultural production which was to be achieved through the reconstruction of the agrarian organisation. In the absence of a committed party cadre, the implementation of such a programme required the active support of the Congress leaders in districts and states who were the likely victims of the agrarian reforms. It was natural, therefore, for them to oppose the implementation of such programme. Yet, they did not openly oppose the economic strategy of Nehru.

The lack of opposition to Nehru's policies, however, did not mean that there was no disagreement within the party. But no Congressman dared openly to oppose Nehru's policies after the disappearance of J.B. Kripalani and the fall of Tandon. Nehru's personal views thus became of national importance and were reflected in Indian policy at every turn. The congressmen accepted the new development strategy mainly in deference to Nehru who was viewed as their election agent. They thought that Nehru would bring victory in the next general election, if they only accepted his views publicly. Hence, the open support for the Nehru's approach reflected the recognition of his mass appeal and leadership qualities which were attested by the results of the First general election. What made Nehru's position beyond challenge was the lack of an alternative source of leadership within the Congress. Especially after Patel's death there was no other leader left in the Congress who had the stature or status to rival Nehru. Therefore, despite disagreement with Nehru's policies, no one was willing to openly challenge him as the outcome of such controversy could not be predicted. Thus, it can be hypothesised that the congressmen who privately disapproved of Nehru's approach to development, in particular his agrarian reforms and heavy industry bias, would have rallied behind Patel had he lived through the fifties and remained the boss of the machine and a partner of the 'duumvirate'. How different then India's industrial strategy would have been in the Second Plan?

PATEL: A HISTORICAL COUNTERFACTUAL ACCOUNT OF INDIA'S INDUSTRIAL STRATEGY

Though history cannot be rewritten and nobody can really know the development strategy that India would have adopted had Patel taken part in its formulation, an exercise of historical counterfactual⁸⁷ would help us examine the possibility of heavy industry strategy in the Second Plan in such a situation. It is well known that Patel differed with Nehru over planning and economic policy. Since Patel was primarily concerned with India's security, industrialisation was

as important to him as it was to Nehru.⁸⁸ However, his conception of industrialisation and the role of planning in it radically differed with that of Nehru. While Nehru was a strong advocate of the public sector, Patel wanted to limit it to the strategic industries so that the private sector could play an important role in the economy. The two leaders differed sharply over the character of the Planning Commission: Nehru, who had long believed in economic planning and was the Chairman of the NPC and the Planning Commission, wanted this agency to play progressively important role in India's development efforts. Patel, on the other hand, favoured a clear demarcation of the role of the Planning Commission, i.e., it must remain subordinate to the Cabinet and must not usurp the functions of the government. These differences might suggest that Patel's development strategy would have been significantly different from that of Nehru. One must, however, remember that despite the differences between the two leaders over the relative role of the public and private sector or about the desirability of a social system--capitalism or socialism--they had no disagreement about economic goals; both wanted rapid industrialisation so that the country could become economically strong and self-sufficient. No doubt, Patel would have been less enthusiastic about a 'big' plan reliant on deficit financing and he may not have liked the idea of the expansion of the public sector, yet he was most likely to go along with Nehru in deciding to build heavy industry in the public sector because the private sector lacked the resources to set up steel, metallurgical and other basic industries crucial for India's industrialisation.

However, the ideological differences between the two leaders, which had been articulated for a period extending more than a decade, would not have suddenly disappeared. They would have certainly continued and, as suggested by some observers,⁸⁹ perhaps become intensified when Nehru tried to commit the Congress to the goals of socialism--however nominal those objectives may have been. In such a situation, their differences, if taken to the logical extent, might have resulted in a split in the party along ideological lines -- Patel leading the rightist faction while Nehru leading the progressives. However, a close look at the action of the two leaders rather than analysing their rhetorics, would suggest that a break between them was least likely.

Contrary to the CPI thesis, there is enough evidence to suggest that Nehru would have sacrificed 'ideological clarity' in favour of the party unity. In 1946, for example, Nehru showed his preference for party unity by remaining quiet when Patel expelled the Congress Socialists from the party. It is also significant to note that on

several occasions Nehru had shown willingness to compromise, even though it meant, at times, yielding to the pressure of Patel. Such an attitude was clearly shown when he allowed Patel to play a decisive role in determining the Industrial Policy Resolution and the provisions of the Constitution regarding the right to property. Since Nehru understood the dynamics of party politics in modern times and knew the importance of Patel in national politics as well as within the party, he was more likely to avoid an open ideological confrontation with Patel. Thus it seems that Nehru would have exercised a great deal of self-restraint in advocating socialism and would have formulated development strategy in consultation with and support of Patel. So long as Nehru was flexible, non-doctrinaire, and willing to compromise and Patel recognised the need for industrialisation, particularly the urgency to develop heavy industry, a commonly agreed upon development strategy seemed most likely. Since the two leaders shared the same economic goals, India's development and industrial strategy may not have been substantially different from the one adopted in the Second Plan. In this context it is significant that towards the end of his life Patel had shown willingness to recognise the importance of planning in India's future development⁹⁰ and thus gave clear indication that he was flexible enough and that he would not be solely governed by ideological considerations. Thus notwithstanding his earlier reservations about planning, Patel recognised its need at a time when the country was faced with serious economic problems thereby demonstrating that on important matters he was willing to compromise.

Though it is true that ideally Patel liked a pattern of development in which private investment performed the basic functions in the mechanism of growth, although, the initial impulse could be given by the public sector, as was the case in Meiji Japan and Nehru desired nothing less than the nationalisation of all key industries and 'indiscriminate' expansion of the public sector, ideological considerations did not always govern their judgement. When it came to deciding important public policy, the two leaders had shown willingness to compromise. It is important to underline in this context that despite Nehru's advocacy of socialism and Patel's preference for a laissez-faire economy, their differences were not irreconcilable as they were mainly about following slightly different paths within capitalist development.⁹¹ And so long as Nehru was willing to allow the private sector to play an important role, albeit within state control and regulation, there was no fundamental difference between his approach and that of Patel. Indeed, Nehru had demonstrated, time and again, that pragmatic considerations were far more important to him than ideological

clarity. Moreover, his approach to development reflects the salience of humanism in Nehru's thought than that of ideology.

There was a whole theory of transition to a more humane social order which was behind the choice Nehru made. This belief led him to justify the choice of development strategy on rational rather than ideological grounds which resulted in a wide acceptance of his approach: the political leaders of different ideological persuasions came out in support of his strategy and the masses and the intellectuals rallied behind him. Indeed Nehru was most persuasive when he argued from a non-ideological stand-point. Addressing the annual meeting of the FICCI in March, 1955 he maintained:

Capitalism, Socialism, Marxism, all these are children of the Industrial Revolution. We are on the eve of at least something as great as the Industrial Revolution, perhaps something bigger. It is affecting everything--production, distribution, thinking and everything else. In this context, why was this decision for a Socialist-Pattern of Society taken? It was taken to give an indication of the objective and the approach. We have to fit India into the nuclear age and do it quickly . . . India is functioning in an atmosphere of great urgency and there is no time to be lost. Our speed has to be very fast. The realities of the present-day world are forcing us in that respect. The devil is after us and we have to progress rapidly.⁹²

Thus the justification for Nehru's socialism was not ideological but rather pragmatic, namely, the urgent need to progress rapidly. And the rapid progress, for him, inevitably implied industrialisation, especially the creation of a self-reliant industrial economy through an import substitution strategy. The urgent need for India's industrialisation could not have been more persuasively stated. Nehru was thus convinced that the development of backward economies implied an important offensive on the industrial front. This belief was indeed supported by the success of modernisation efforts of the late industrialising nations like Japan and the Soviet Union in the twentieth century. Does it mean that Nehru's emphasis on industrialisation in general and heavy and basic industries in particular was at the cost of the primary sector of the economy, as the ideologues of Agricultural Fundamentalism often argue, and that in giving priority to industries he failed to recognise the advantages in agriculture enjoyed by both Japan and the Soviet Union on the eve of their 'big push' for industrialisation.

To say that Nehru's advocacy of industrialisation amounted to a deliberate neglect of agriculture (and consumer goods industries) in

the approach to development is far from being true. An examination of the planned outlay on different sectors, progressively from one Plan to another or from one year to another, would prove this. The proportion of outlays on industry certainly increased rapidly in the Second Plan; but the overall outlay on agriculture also increased. Nehru, moreover, never lost sight of the problems of agriculture in India which was virtually stagnant for over half a century. He was well aware of the close interlocking of progress in industry and agriculture and recognised that the chronic stagnation of agriculture aggravated not only the problem of feeding an increasing population but also thwarted the possibility of rapid industrial development. However, in his approach to agricultural development Nehru emphasised institutional reforms, the development of co-operatives and rural development as a whole instead of concentrating planned investment in agriculture.⁹³

For Nehru, the crux of agricultural problem in India was the concentration of land in the hands of a minority of landlords. To remove this discrepancy between ownership of the land and its actual cultivation, he wanted to transform the actual tillers into owner-cultivator by large-scale redistribution of landlord's land among small peasants and labourers as was done in China, Japan and Taiwan rather than inducing the landlords to undertake selfcultivation through hired labour and leasing out their land to tenants. Such an approach, though politically difficult to implement under the Indian condition, was bound to bring about radical changes in Indian agriculture. The success of Zamindari abolition in increasing the total area under agricultural crops from 11.9 crore hectares to 14.0 crore which resulted in increased food output by more than 50 per cent during the fifties suggests that land reform and structural changes had greater potential for increasing productivity than increased planned outlay for agriculture at this point in India's development.⁹⁴

After the initial success of Zamindari abolition, however, the institutional changes and social reorganisation, such as the fixation of ceiling on land and the setting up of producer cooperatives, that Nehru envisaged became increasingly difficult to implement. Though the ideology of land reform was maintained by the power-elites, the programme of land reform followed by the government was such that served "primarily the interests of an emerging intermediate class of under-proprietors and big peasants".⁹⁵ Since the interest groups opposed to radical change exercised far greater influence within the Congress party, Nehru's ability to push his radical solution to land problem was thus seriously undermined. On the contrary, no such interest existed to oppose his ambitious

programme of industrialisation designated to raise the nation's low living standard.

Though the industrialists initially opposed the idea of the expansion of the public sector, it was not serious enough for Nehru to alter his development strategy. Not only his industrial strategy enjoyed widespread support but the industrialists also remained committed to the drive towards industrialisation in view of the growing need for certain industries which could have been developed only by the state. Besides, they were quick in realising that the expansion of the public sector was nothing more than the 'socialization of the vacuum'. Therefore, towards the end of the First Plan the industrialists began to share the popular view of the intellectuals, planners and political leaders that the solution to India's economic problems required a frontal attack on industries. Such a consensus seems to have been facilitated by the general recognition that industrial development, which required limited geographical infrastructural investment and promised much more rapid increase in productivity, was preferable to the development of rural areas which would be a slow task in face of the existing social and infrastructural facilities. Thus Nehru's success lay in popularising the idea that the solution to India's economic problems required rapid industrialisation through import substitution. It has therefore been rightly observed by Mahalanobis that Nehru was more effective in decisions in planning in the 'concentrated' sector than in the 'diffused' sector.⁹⁶

Nehru's effectiveness in the concentrated sector was partly due to the fact that Indian intellectuals shared the same orientation in regard to economic strategy. Many of the Indian economists were emotionally and intellectually disposed to the heavy industry strategy "even before it became a part of the Second Plan's economic rationale".⁹⁷ D.R. Gadgil, for example, who later on emphasised the 'bottom up' strategy of planning, not only criticised the First Plan for its failure to provide for substantial investment in steel, cement, and fertilizer industries but also underlined the need to create conditions "favourable to the increase of basic and capital goods industries".⁹⁸ Similarly, the Panel of Economists fully supported the heavy industry strategy and the Nehruvian approach to economic development, even though they disagreed with different aspects of the Second Plan. This happened to be in line with the thinking of development economists around the world that the poorer countries' need for lack of capital and know-how could be quickly overcome by building up heavy industries, industries that would turn out items of equipment and machinery (e.g., locomotive, rolling stock, equipment for sugar, chemical and other basic industries) or

intermediate goods (such as steel and cement). Such an approach to development, as noted earlier, had long influenced the thinking of Mahalanobis. As a result, he shared Nehru's views on planning and industrialisation since their first discussion on the subject in 1940. Thus the planning models and the Plan-frame of Mahalanobis did not simply provide an economic rationale for Nehru's directives, as suggested by some critics,⁹⁹ but rather they were developed in the conviction that the solution to the problem of unemployment and poverty lies in India's rapid industrialization and in the development of basic and heavy industry.

THE LIMITS TO THE NEHRU-MAHALANOBIS STRATEGY

The mere adoption of the heavy industry strategy in the Second Plan, however, did not ensure the success of the Nehruvian approach nor it meant that the recommendations of Mahalanobis were unconditionally accepted. Though it is true that the Second Plan was intended to concentrate on industrialisation and the Plan-frame followed the lines of those intentions, the final version of the Plan reveals significant departure in the investment priority given to industry. While the Plan-frame gave absolute priority to industry and mining and transport and communication came third, after agriculture and rural development, the final version of the Plan gave absolute priority to transport, presumably under the pressure of the Parliament,¹⁰⁰ making agriculture (including irrigation) second and social and other services third in the priority list. Thus public expenditure on industrial development came in the fourth place which meant a fall in the projected expenditure from 11 to 8.9 million rupees.¹⁰¹

There were other departures from the path of development as envisaged by Nehru and contained in the models of Mahalanobis. While making his recommendations, Mahalanobis was fully aware of the historical fact that the restructuring of agrarian institutions has preceded or at least accompanied the initial stages of the 'break-through' in industries in countries as varied as England and Russia, and China and Japan. He had therefore assigned key economic role to cooperatives in the strategy for resource mobilisation and in the Plan-frame he strongly recommended for the fixation of ceiling on land ownership and the redistribution of surplus land to be completed by 1958.¹⁰² But this was most difficult of all the recommendations to be implemented in view of the growing opposition to such reforms in various states. As the final version of the Second Plan reveals that the planners were "unable to ignore the pressures applied by state party leaders for a series of compromises

on the content and pace of agrarian reorganisation".¹⁰³ Nehru, however, made his last concerted effort at agrarian reorganisation after the enactment of the fourth amendment to the Constitution in 1958. It resulted in the Nagpur Resolution of the Congress party in January 1959 which endorsed an agricultural strategy that was "almost entirely confined to institutional change as the instrument of growth in the rural sector".¹⁰⁴ However, the growing opposition to such reforms, which came not only from the Ministry of Food and Agriculture and a number of state Chief Ministers but also from big business and the newly formed Swatantra Party, seriously undermined the effective implementation of the Nagpur Resolution. One of the unanticipated consequences of the half-way house land reform was that there was a lack of effective demand of industrial products in the countryside and the rural market was not opened up. Consequently, the pattern of industrial production (in the private sector) took an elitist turn.

Taxation was another area in which Mahalanobis had expected major reforms. It was a well known fact that the Indian tax structure affected only a narrow range of population and it suffered from considerable evasion. Therefore, the Taxation Enquiry Commission, appointed in 1953, had recommended that a systematic orientation of the traditionally conservative and regressive Indian tax structure was necessary in order to fulfil the requirements of development planning. Yet, the Commission encouraged development rebate and tax holiday for stimulating production in the private sector. In view of the revenue requirements of the Second Plan further changes in the Indian tax structure were considered necessary.

In the Second Plan, taxation was the most important source of internal resources as it provided 23 per cent of the total finance and 26 per cent of the internal finance. Thus an additional tax revenue of Rs. 450 crores and a deficit expenditure of Rs. 1,200 crores was envisaged, which called for a broad-based and well-reformed tax system in India. Towards that end the Finance Ministry invited Nicolas Kaldor of the Cambridge University to investigate and suggest changes.

Kaldor believed that the insufficient growth and low investment in India was mainly a consequence of the inadequacy of resources and not due to lack of incentives. He was also of the view that additional taxation should be so devised as to increase the resources available for investment even at the cost of worsening its disincentive effects.¹⁰⁵ Therefore, Kaldor's proposal for tax reforms aimed at broadening the tax base through the introduction of an annual tax on wealth, the fixation on capital gains, a general gift tax and a tax on personal expenditure. He also emphasised the need for more

effective checks on evasion and avoidance of taxes which, he estimated, deprived the exchequer of an amount of Rs. 200 to 300 crores a year. Though the government generally accepted Kaldor's proposal, "there was little display of enthusiasm and earnestness in fully and adequately implementing them". Some piecemeal and half-hearted efforts were made by T.T. Krishnamachari in his budget of 1957-58 when he introduced two of Kaldor's innovations--the taxes on wealth and expenditure. In the next budget Nehru introduced a gift tax. Such piecemeal application of Kaldor's proposal could not, however, reform the Indian tax structure. The government, on the other hand, continued to grant more and more concessions to the rich despite the objective of a socialistic pattern of society. For example, between 1947-48 and 1961-62, the proportion of direct taxes (the contribution made by the rich) in the total tax revenue of the Union Government fell from about 40 per cent to about 27 per cent.¹⁰⁶ Moreover, the rate of corporate taxation during the Second Plan period was much lower than many of the western countries.¹⁰⁷ It is also important to note that the limited implementation of the Kaldor's proposals was soon abolished: the wealth tax on companies was abolished in 1960-61 budget and expenditure tax in 1962-63 budget--much to the dissatisfaction of Mahalanobis. Therefore, due to political pressure, the spirit of Mathai Commission continued to dominate India's fiscal policies, despite the preference of Nehru and Mahalanobis for the Kaldor's tax reforms.

Deficit financing was the second most important source of internal finance in the Second Plan. Though it has been criticised (by the World Bank Mission and B.R. Shenoy) for generating the forces of inflation, it is worth noting that the Bombay Plan had assigned much higher role to deficit financing (34%)¹⁰⁸ than the Second Plan. Thus, the planners were not totally unrealistic in setting the contribution of deficit financing at 25 per cent. Besides, the inflationary tendency during the Second Plan period was induced by the expansion of bank credit which proceeded at a faster pace than the increase in money supply. Apart from causing inflationary pressure, it resulted in diverting resources from the public to the private sector and enabled the latter to grow at a faster rate than projected in the Plan. Such tendencies could have been kept under check by appropriate governmental measures. Mahalanobis had, in fact, envisaged a major structural change in the economy when the Imperial Bank of India and life insurance were nationalised which brought a major chunk of banking and a very large part of public savings under the control of the government. However, there was a failure after 1957 to pursue the implications of these two measures in terms of structural changes that were involved and actions which

should have obviously followed these pioneering steps. The life insurance was nationalised with a view to concentrating savings for the large industrial investment in the public sector. But soon after its nationalisation, the Corporation started making substantial investment in company shares and debentures¹⁰⁹ which has continued since that time.

The path of development as envisaged by Nehru and Mahalanobis was further distorted in course of implementation of the Plan. The government's effort to regulate investment in private industries through licensing and control has not been very satisfactory. What is more, the evasion of taxes on large scale seems to have defeated the implementation of the plan at the very initial stage of resource mobilisation. There were instances where industries originally assigned to public sector were thrown open to the private sector at the latter's persistent demands and also because the government thought it expedient to do so. Industries, such as aluminium, fertilisers and "coal mining in the contiguous areas",¹¹⁰ which should have been, according to the Industrial Policy Resolution, entirely in the public sector were thrown open to the private sector. Thus despite the government's general policy of expanding public sector in relation to the private sector, the latter has continued to expand from plan to plan and has benefited most by the favourable conditions created by the planned economy such as protective tariffs, financing industrial enterprises through various financial agencies, better transport and communication facilities, and forming industrial estates. Towards the end of the Third Plan, the FICCI acknowledged that the private sector in India has prospered mainly due to the plan economy.¹¹¹ However, the private sector has been lacking in social responsibility.

When Nehru talked of the public sector acquiring commanding heights in the economy he was thinking not merely in quantitative terms but also in terms of the public sector setting norms and pace for the private sector and making it accountable to the society. This sense has been completely missing on the part of the private sector. Such an assessment could be supported by the fact that during the Second Plan as soon as the private capital knew how much was to be the allocation for foreign exchange, it grabbed the largest share for itself, spent its five-year quota in two years and plunged the state into a foreign exchange crisis by 1958. It is obvious, therefore, that the private sector could not be geared up to the needs of the planned economy.

Such distortions in the Second Plan have been attributed to the incongruence between the economic strategy and the political system. Nayar has recently argued that Nehru's economic strategy was incon-

sistent with the political framework that belonged to the democratic variant of the 'reconciliation system'.¹¹² Therefore, he concurs with Hanson who suggests that the heavy industry strategy was not the rational choice of Indian planners and political leaders because more satisfactory results could have been achieved if a larger place had been given to consumer industries and to the private sector. Contrary to such analysis, the course of development in the past three decades clearly suggests that the public sector and basic and heavy industries have made significant contribution to India's economic development. Though it is true that the Second Plan was faced with the problem of resource mobilisation and it could not bring about major structural change in the economy, it hardly proves that a 'modest' plan with a bias towards consumer goods industries and towards the private sector would have worked better. In fact, there are a number of reasons to suggest that the results would have been even less satisfactory.

It is hard to deny that if the Plan had fixed lower targets for investment (in particular, for the mobilisation of internal resources) then the actual mobilisation would have been much less. One of the great merits of the Mahalanobis approach was that it demonstrated some of the physical possibilities of the Indian economy and also stressed some of the social obstacles to a mobilisation of this potential. Indeed, the social obstacles to resource mobilisation for the Second Plan have proved to be the most difficult problem associated with the new industrial strategy. However, what needs to be emphasised here is the fact that in spite of the problems associated with the implementation of the Second Plan, the long-term trend in Indian economy, the nature and level of industrial production, and the role played by the public sector as the catalyst for industrial growth demonstrates that the Nehru-Mahalanobis strategy, which had a long-term perspective, was basically sound and well suited for India in the mid-fifties. It is hard to imagine some of the important changes that have taken place in Indian economy in the past twenty-five years in the absence of such a strategy. For example, in 1950 nearly three-fourths of the industrial output consisted of consumer goods which changed to nearly two-thirds of intermediate goods (including mining), capital goods and power generation by 1976. Over the years the base has been built for further expansion and diversification of industry, agriculture, transport and communication in terms of both the physical facilities and human skills.

Further evidence of the positive contribution of the heavy industry strategy could be found by analysing some of the major trends in the Indian economy in the past few years. The pursuance of this

strategy has not only resulted in broadening the industrial base but also in India's economic self-reliance. An indicator of economic self-reliance is the fact that by the late seventies the share of imports in industrial sector fell to a level unprecedented in the history of the third world. Between 1960 and 1973, the share of imported equipment in Indian industries went down sharply from 43 per cent to 9 per cent although fixed investment increased from Rs. 819 crores to Rs. 1,984 crores.¹¹³ This shows that through the policy of industrialisation with special emphasis on heavy industries India has created a production structure by which the need for import of capital goods is reduced and thus enlarged its autonomy in acceleration of the rate of capital accumulation. There has also been manifold increase in the export of engineering goods: it rose from less than 1 per cent of the total export in 1956 to 12 per cent in 1978.¹¹⁴ Clearly, such developments could not have taken place but for the Second Plan's main thrust for industrialisation.

CONCLUSION

India's industrial strategy in the Second Plan was the product of a variety of economic, political, ideological and pragmatic considerations. Nehru's commitment to industrial planning with heavy industry as key factor for industrialisation was the single most important factor in the adoption of the Mahalanobis models in the Second Plan. Such a commitment on the part of Nehru stemmed as much from his ideological preferences as from the objective reality that India's economic development required rapid industrialisation. Nehru, in fact, subordinated ideology to pragmatic considerations while deciding the economic strategy. His genius, however, lay in mobilising support across the country in favour of industrial planning which emphasised basic and heavy industries, import substitution and public sector. Nehru's stature as the undisputed leader of the party and the government won him the unconditional support of his partymen for the heavy industry strategy, and his left image and the objective of socialist pattern of society brought him the support of the intellectuals and the left parties. At the same time, his non-doctrinaire approach and the acceptance of an economic policy which was not inimical to the growth of the private sector convinced big business that the actual policies of the government were much more realistic in spite of all the talks about socialism. Thus, once the industrialists realised that the development of heavy industries was beyond their capacity, they started supporting the government plan for industrialisation. The same logic might have prevailed on Patel and he would most probably have supported the

Second Plan's priorities had he been alive and taken part in the formulation of this Plan.

Mahalanobis played an important role, next only to Nehru, by translating the goals of the regime into Plan-frame and thus providing a blue-print for the Second Plan. His bias toward basic and heavy industry had its antecedents in the pre-independence plans, and therefore enjoyed widespread support of the intellectuals, planners, economists and, in a qualified manner, of the industrialists. The foreign experts visiting the ISI further reinforced the planner's thinking on industrialisation. Moreover, by combining the heavy industry strategy with an emphasis on village and cottage industries (for providing employment and supplying consumer goods), Mahalanobis tried to synthesise socialism and sarvodaya, which may not have been on sound economic grounds but was politically most acceptable to the Gandhians and socialists so crucial for the adoption of this strategy. Thus the heavy industry strategy became acceptable to the Gandhians and the socialists, the industrialists and intellectuals, and even to the communists. Though this agreement did not last very long, especially after the problem of resource mobilisation and foreign exchange crisis came to the surface, it does not however suggest that the emphasis put on investment in basic and heavy industry was the wrong choice for India. In particular, the contention of the Agricultural Fundamentalists that Nehru made the wrong choice of excessive investment in huge, expensive and capital-intensive schemes¹¹⁵ is belied by the fact that "shortages of coal, cement, steel, nonferrous metals, fertiliser, power and transport persist in spite of substantial growth in the basic industrial sectors".¹¹⁶ Nor does the assertion that Nehru preferred such a strategy "primarily because of its potential contribution to national unification and global power"¹¹⁷ seems to be supported by the evidence presented here. Similarly, the claim of some opposition leaders that the Marxist experts visiting the ISI exercised maximum influence in determining India's economic strategy¹¹⁸ is not borne out by facts either.

It remains, however, true that the social goals of planning have not been fulfilled despite rapid industrialisation in the past three decades. In this context it should be remembered that the fulfilment of the social goals was largely dependent on the degree to which other strands of the economic strategy--agrarian restructuring and land reforms, tax reforms, etc.--were implemented during and after the Second Plan.

In retrospect one finds that the heavy industry strategy with its bias towards import substitution had greater potential for industrial and economic development of a subcontinental economy with vast

natural resources, manpower and market potential than the Latin American or Pakistani variant of industrialisation which concentrated investment in consumer goods industries. The latter has certainly resulted in the dependence of the Latin economies on the industrialised West. In India, by contrast, the stage is now set for further industrialisation which would be relatively independent of the influence of the West.

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Planning and Budgeting in India :

Concept and Practice

K.L. HANDA

PLANNING IS organised rational thought that is helpful in the determination of national objectives and in formulating policies, programmes and projects for their achievement. It involves decisions on inter-sectoral priorities for making investments to achieve a desired socio-economic development of the country. This is done in the context of societal values, and on an assessment of the problems of the society which the planners want to solve and the needs of the society which they want to meet.

The total amount of resources that can be mobilised through planned efforts have to be estimated and their allocation for investment in different sectors decided to carry out the planned development of the country. This would require conducting analytical studies and exercise of political judgement for deciding on inter-sectoral priorities and allocating resources for the development and growth of different sectors of the economy.

The rate of growth as decided by the planners for achievement is translated into targets for accomplishment in sectoral terms. In each sector, programmes and projects have to be formulated for implementation, which would add up to the planned sectoral growth thereby contributing to the desired overall growth. The implementation of programmes and projects needs authorisation which is provided by the budget duly approved by the legislature. The plan and the budget are required to be inter-linked properly to ensure translation of the intentions of the planners into operational realities for achieving the planned objectives.

PLANNING AND ITS IMPORTANCE

Planning is necessary for achieving certain stated objectives related to a time frame and with the optimum use of resources. The objectives of developing various sectors, say, industry, transport, power, agriculture, education, social welfare, etc., to achieve specified targets need to be concretised in well-defined terms to

facilitate formulation of programmes for their achievement. According to Mosher:

Planning involves first the conceiving of goals and the development of alternative courses of future action to achieve the goals. Second, it involves the reduction of these alternatives from a very large number to a small number and finally to one approved course of action, the program.¹

A programme may comprise of a group of schemes or projects designed to achieve the end objectives of the programme.

The objectives need to be defined by specifying in quantitative terms the growth intended to be achieved in a particular sector. For instance, if it is irrigation, it must be determined as to how many hectares of irrigation potential is to be created. However, while framing objectives, it is essential to assess the future demand for the goods or services intended to be produced so that the output achieved is really utilised.

The programmes and projects which are required to be implemented for achieving the national objectives need to be related to various public policies the country has adopted. This can be done by a systematic planning carried out by an apex body with the active assistance of administrative authorities, executing agencies, and other planning bodies in the country. This process of planning is conducted in India by the Planning Commission constituted by the Union Government. To cite from the United Nations Publication:

The most important task facing the developing countries today is the promotion of economic and social development in all its aspects. To ensure an orderly development process, it is, therefore, necessary to establish priorities, to choose rationally between realistic alternative policies and to pursue these consistently and in a coordinated manner so as to attain the short-term and long-term objectives. The concept of planning provides a logically integrated framework for taking a whole set of such decisions and the techniques of planning furnish tools for the translation of policy objectives into specific tasks and programmes of action. A plan then becomes a body of economic and social policies expressed in quantified targets and defined tasks.²

The Planning Commission, set up in 1950, has been preparing perspective plans to provide a long-term view for the development of the country. Perspective plans, which cover spans of 15 years or

more, are of a high level of generality. These indicate only the broad path of long-term economic growth. A perspective plan facilitates formulation of the broad strategy of development for achieving the national objectives. It provides a valuable long-term perspective and helps in anticipating possible changes in population and technology, and in ascertaining socio-economic structural changes necessary for achieving rapid development. A perspective plan embodying broad generalities, however, has limited operational value.

Therefore, medium-term plans are formulated for shorter time spans to undertake a more intensive elaboration of plan policies and programmes. In India, these are prepared for a period of five years and include detailed sectoral plans taking into account inter-industry demand and supply relationships. Costing and other details of specific projects are also included in the five year plan. A medium-term plan, however, lays emphasis on the targets to be accomplished or positions to be reached by the end of the plan period. Also, the fixing of targets in a five-year plan is based on a variety of assumptions regarding the behaviour of the economy. The actual course of events as the plan is implemented may deviate from the original anticipations because of unexpected developments in the agricultural sector, foreign trade sector, and because of other unforeseen happenings. This would necessitate making adjustments almost on a continuing basis in the original plan.

Annual plans are, therefore, prepared to provide the necessary opportunity for reassessing the initial postulates of a five year plan and to make the adjustments which became necessary in the light of new developments and the changed economic conditions. An annual plan would incorporate concrete projects and schemes to be implemented during the ensuing year. It includes a detailed mapping out of the several activities, projects, and other tasks to be performed during the year. To quote from the United Nations Publication:

If planning is to be of a continuous character, it should represent an integrated whole of long-term, medium-term and annual plan for economic development.³

IMPORTANCE OF BUDGETING

The annual plan, which establishes yearly segments of programmes and projects to be completed, needs to be dovetailed into the framework of the budget. // The five-year plan in India is a consultative document and does not have the force of law. Its yearly segment

with suitable adjustments provided for in the annual plan needs the authoritative framework of the budget before the plan could be operationalised. It is the annual budget passed by Parliament, which provides the necessary authorisation to the administrative authorities and executing agencies for implementing the planned programmes, schemes and projects.

The inclusion of a project in the five-year plan is a statement of intent and not an authorisation for the executing authorities to go ahead. This latter decision is taken in the budgetary process and generally involves the Finance Ministry, the Planning Commission, and the concerned administrative ministry. In the case of projects costing more than Rs. 10 crores, the Expenditure Department of the Ministry of Finance is helped by the Public Investment Board (PIB) in carrying out scrutiny of the proposed expenditure before making a definite recommendation to the Cabinet. The PIB is presided over by the Expenditure Secretary as the chairman and includes as members the Secretary to the Planning Commission, Secretary of the Industrial Development Department, Secretary of the Economic Affairs Department, Principal Secretary to the Prime Minister, Director General of Bureau of Public Enterprises, and Secretary of the administrative ministry concerned with the proposal. The Plan Finance Division of the Expenditure Department provides the necessary secretariat facilities to the PIB.

An investment proposal is discussed in the PIB on the basis of a comprehensive note prepared by the administrative ministry describing the proposal, and the light of the comments on the proposal received from several agencies, including the Project Appraisal Division of the Planning Commission. The Project Appraisal Division is concerned with providing a comprehensive economic analysis of the proposal so that the PIB can take a total look on the project before submitting its recommendations to the Cabinet in regard to the investment proposal.

Investment decisions involving an expenditure between Rs. 2 crores and Rs. 10 crores are examined by another committee called Expenditure Finance Committee (EFC) which is also headed by the Expenditure Secretary. This committee includes among its members a representative of the Planning Commission, a representative of the Bureau of Public Enterprises, and Integrated Financial Adviser of the administrative ministry concerned with the proposal. Prior examination of such an investment proposal would also have been conducted by the Project Appraisal Division of the Planning Commission in the same way as it does for projects to be submitted to the PIB.

Expenditure proposals involving up to Rs. 2 crores are thrashed

out between the administrative ministry concerned and the Expenditure Division of the Ministry of Finance before these are incorporated in the budget. It is, however, the budget of the government, comprising a number of demands for grants, which provides the necessary authority for undertaking the investment. The demands for grants are discussed in the legislature and duly voted upon. After the passing of the demands for grants, an appropriation bill is introduced which includes an amount not exceeding the total amount already approved by the legislature in terms of the various demands for grants passed by it. The appropriation bill is debated in the legislature and passed as an Appropriation Act. It is this Appropriation Act which confer authority on the government for incurring expenditure out of the Consolidated Fund of the country to implement a project earlier included in the five-year or annual plan. It is only after this, a project can be implemented by the concerned authority according to the scheme of delegation of financial powers framed by the government. It would thus be apparent that the budgetary process plays a very important part in the implementation of developmental programmes and projects included in the five-year or annual plan.

The planning process and budget formulation conducted separately by distinct organisational units does technically mean that a project included in the plan could be rejected and another could be accepted for making a budget provision. In practice, however, it would happen rarely and that too when a change in circumstances so warrants which in any case would have justified an adjustment in the Plan also. The planning and budgetary processes have essentially to be complementary to each other even when these are conducted by separate agencies.

The expenditure-sanction procedure in government attaches due importance to projects which are to play a critical role in the Plan and any change in their scope or rejection of such projects would involve substantial readjustments in investment priorities or plan objectives. The PIB and the EFC are particular that the expenditure sanction procedure does not work at cross purposes with the Plan. In fact, the PIB and the EFC remain keen to make plan priorities more effective and they use their methods accordingly in carrying out appraisal of the projects.

It is, however, the budget which provides the necessary mechanism for control to ensure that the implementation of the programmes and projects is as intended by the planners. Budget becomes an important tool and provides the necessary framework for comparing the actual achievements with those projected in the budget plan of action.

PLANNING AND BUDGETING

There are certain important differences between the functions and processes of planning and budgeting. Planning, of course, has to precede budgeting. Also, a good system of budgeting is one which reflects as many planned programmes as financially possible. Though there is need for close coordination between planning and budgeting, yet the two by their very nature have to be separate processes. Planning partakes more of the nature of a consultative process. Budgeting, on the other hand, is done, both in its formulation and execution, within certain constitutional and administrative constraints. A budget has to be framed in a form so as to be operational, and because of the constitutional character of some of its features, it assumes authoritarian characteristics.

Also, planning has a wider coverage inasmuch as it deals with developments in an entire economy relating both to the public and the private sectors. Budgetary process, on the other hand, has for its main concern, the activities of the public sector. In another respect, however, the budgetary process covers more than the planning process as it includes both developmental activities and current activities of the public sector, while planning relates generally to developmental activities only. As stated in the United Nations document:

In a developing country with a mixed economy, where formal operative planning takes place with respect to the public sector, the budgetary system plays a very important role in the implementation of public sector development programmes. The planning and budgetary processes are essentially complementary to each other but in actual practice, the relationship between them has often been weak and tenuous.⁴

While recognising the complementary nature of planning and budgeting and also emphasising the importance of linking closely the activities under them, what is important to be emphasised is that they should not be tied into one and the same process of planning and budgeting referred to by some academics as integrated budgeting. In India, rightly, the tasks of planning and budgeting are separately undertaken in distinct organisational units, Planning Commission, and Ministry of Finance respectively.

There are other distinguishing features also between the functions of planning and budgeting. Whereas, under a budget, programming is done on an annual basis, planning has a much longer time perspective. A government budget is generally adopted for one year.

This annuality of the budget is just an auxiliary device. But as it has come to be so for practical reasons, the budget allocations for programmes need to be planned for each fiscal year. The preparatory work which feeds into the budget allocation process, in order to remain close to reality, cannot be extended much beyond six to twelve months before the commencement of the budget year. If planning, based on analytical studies, is fully tied to the budgetary process, the various studies needed to decide priorities among the alternatives would be required to be completed in about a year's time in advance. Obviously, this would not be possible in the case of most of the larger programmes involving extensive and intensive cost-benefit/effectiveness studies.

Planning, therefore, by its very nature has to be undertaken separately from the budgetary process. However, the results of planning have to be fed to the budgetary process as and when the programmes are accepted for implementation. In other words, planning, to be meaningful, requires an effective integration with budgeting through appropriate institutional, organisational and other arrangements.

LINKING PLANNING WITH BUDGETING

Planning to achieve the needed rate of growth, done in an agency other than the Ministry of Finance, is conducive to be an exercise of imagination by the planners which is not concretised by constraining influence of budgetary restraints. The budgeting exercise carried out by another agency, i.e., Ministry of Finance, brings about the necessary financial discipline to fit the planned programmes and projects within fiscal realities avoiding the risk of developing unrealistic budgeting through the exercise of unrestrained imagination of planners. ~~It~~ It is necessary and functionally appropriate that the agencies concerned with planning and budgeting retain their respective outlook and approaches to result in a desirable and workable synthesis. According to Johnson, integrating the two processes of planning and budgeting is "to court the danger of stifling the imagination of the planner by imposing the budgetary restraints, or alternatively of developing irresponsible budgeting as a result of the exercise by the budgeteer of an unrestrained imagination."⁵

It would be more fruitful to develop coordinating devices between the processes of planning and budgeting rather than to merge them into a system of integrated budgeting, treating planning as an integral part of budgeting. An important decision to be taken at the top level, as part of the budgetary process, is with regard to

the level of government expenditure that would be suitable considering the developing objectives and economic stability of the country. Such a decision would be based on adequate information on the expenditure needs of the various sectors, programmes and projects, the general economic conditions of the country and the resources anticipated in the ensuing budget year. A tentative decision on the total expenditure to be provided for is the starting point in the formulation of a budget. At this stage, the planning agency must also decide the annual plan outlays on developmental programmes and projects for the next year.

Annual planning, therefore, has to be synchronised with the budgetary process and provide the guidelines to budgetary decisions. The procedures evolved for the formulation of the annual plan can provide an opportunity to establish a close link between the plan and the budget.

The Planning Commission takes initiative in the case of capital budgets of the central departments by sending out a circular during October-November requesting the various ministries/departments to submit their proposals for the ensuing annual plan. The ministries/departments submit their proposals simultaneously to the Planning Commission and the Planning Division of the Department of Expenditure of the Ministry of Finance. The proposals are scrutinised by the Planning Division with regard to their priorities, foreign exchange requirements, etc. The Planning Commission also examines the proposals in its concerned divisions. Thereafter, discussions are held between the member of the Planning Commission dealing with the subject and the representatives of the concerned ministry/department. The results of the discussions are submitted to the Cabinet for approval, after which the capital budgeting proposals are transmitted to the Budget Division of the Department of Economic Affairs for inclusion in the budget.

The procedure followed in the case of capital budgeting decision regarding works in the Government of India is somewhat different. the concerned ministries/departments forward their proposals to the Ministry of Works, Housing and Urban Development. This ministry aggregates the various requests and apprises the Planning Division of the Expenditure Department of the overall requirements of funds. After the intimation regarding funds to be available is received from the Planning Division, a meeting of the Works Priority Board constituted in the Ministry of Works, Housing and Urban Development is arranged to determine inter-se priorities for allocation of funds. These allocations are thereafter communicated to the concerned ministries/departments.

In the case of annual plans of the states, around September the

Planning Commission issues guidelines and indicates priorities for the annual plan within the framework of the five-year plan. The state governments submit their proposals to the Planning Commission during October-November, which are examined by the concerned divisions of the Planning Commission in consultation with Central ministries/departments. Thereafter, meetings are arranged in New Delhi, generally during November-December, between the Planning Commission and the state governments concerned to discuss the draft state plan for the ensuing year. The size of the state Plan, decided during these discussions, is communicated to the state governments. Working Groups are then formed for different sectors comprising representatives of the Planning Commission, the concerned Central ministry/department, and the state governments, to examine the sectoral programmes and make their recommendations. After the state plans are finalised, the Planning Commission makes its recommendations to the Government of India for inclusion in the ensuing budget. The Planning Commission may agree after consultation with the Finance Ministry, even at this late stage, to make modifications in the annual plan in view of the overall constraints on financial resources.

It may be stated that finance dominates the exercise of finalising the annual plan both for the Central ministries/departments and the states. The physical aspects of the plan and the budget are relegated to the background. Such an approach weakens the link between planning and budgeting. It is, therefore, necessary to incorporate into the budgetary system such features as would help forging closer links between the plan and the budget.

A contributing factor to achieve such a purpose would be served if the appropriations are shown in the budget in terms of specific programmes, activities and projects, with a statement in specific terms of the results to be accomplished by the end of the budget year. The structural aspect of the budget should be closely related to the contents of the annual plan. This would ensure physical correspondence between the plan and the budget. It is essential to structure the budget in a classification which facilitates identification of planned programmes and helps in the evaluation of budgetary performance as compared to the planned objectives and programmes. For this purpose, the system programme/activity classification would be most appropriate to be adopted for budget classification. Such a classification is presented in terms of functions, programmes, activities and projects.

An important function of the planning process is to give quantitative expression to the government's goals and objectives which are elaborated by specifying targets to be achieved in terms of the

various programmes and projects. The budgetary process should also proceed on the same lines and further sophisticate performance aspect of a planned programme or project. This would necessitate use of scientific and realistic norms, standards, yardsticks, and units of measurement to relate the use of resources, translated into financial terms and incorporated as a budget provision, to a quantified resulting output of a programme or project. Such an analytical aspect of the budget would further establish closer links between the plan and the budget by facilitating evaluation of the implementation of the planned programmes and projects.

Accounting is the basis on which a budget is formulated. It is, therefore, necessary to establish a correlation between the accounting heads used for budgeting and the Plan heads of development. This has been considerably achieved by the revised accounting classification introduced by the Government of India from April 1974.

Accounting is an important tool of management. The much needed information regarding physical accomplishments of programmes and projects at different stages with reference to the resources used and costs incurred can be generated with facility by a proper classification of accounts. The generation and supply of such information with speed would, however, require integration of accounting responsibilities with the administrative authorities and executing agencies. The accounts prepared in a department or agency should throw up information on cost and work accomplishments with a frequency as considered necessary in the decision-making process of various levels of management.

PERFORMANCE BUDGETING

The various features of a budgetary system as mentioned earlier, which are necessary for establishing a close link between the plan and the budget are the essential components of a system of performance budgeting. It may be stated that the Government of India has already committed itself to adopt a system of performance budgeting. The process of preparing performance budgets in government started in 1968. Performance budgets are now being prepared by most of the ministries/departments of the Government of India including all its developmental departments.

The thinking involved in a scheme of performance budgeting is to lay emphasis on what a department or agency proposes to do in terms of the purpose of expenditure, how much of it, at what cost, and with what results. Such a budget is a useful tool for monitoring information regarding physical accomplishments as compared to

budgeted targets. It is of significant help in reviewing efficiency of the implementation of planned programmes and projects.

The information obtained in terms of programme classification structure of a budget as the planned programmes, activities, projects, and tasks, are implemented provides an important feedback for the formulation of future plans. Performance budgeting supported by a sound information system for a periodical review of performance in order to take timely corrective actions becomes an effective instrument of plan implementation and should prove of great help in establishing a close link between the plan and the budget. Such a budgetary system is closely attuned to the requirements of planning. To quote from the United Nations Publication:

a performance budget can also lend significance with proper accounting support, to work load data by developing their cost. Thus both in a plan and a performance budget, the intent and direction of resource use, the expected workload and its cost are related closely to each other. These similarities in their form and operational orientation make performance budgeting particularly suited for plan implementation and evaluation of plan progress in developing countries. The data obtained from budget execution, both of a physical and financial nature, can, moreover, be helpful in the subsequent revisions of a plan or formulation of new plans.⁶

CONCLUSION

Planning is necessary to secure a rapid socio-economic development of the country with a view to achieve national goals and objectives. However, planning becomes meaningful only when it is translated into the budget which provides the authoritative frame for implementing the planned programmes and projects.

The processes of planning and budgeting need to be conducted in distinct organisational units. In India, these are rightly carried out in separate agencies, Planning Commission and the Ministry of Finance respectively. It is, however, necessary to establish a closer link between the plan and the budget through appropriate organisational and administrative arrangements.

The system of budgeting adopted is also a significant factor in establishing a close link between the plan and the budget. Performance budgeting with its structural, analytical, and informational aspects, provides a useful tool for implementing and evaluating the planned programmes, activities and projects. What is of special significance is that performance budgeting greatly facilitates the

process of establishing a closer link between the plan and the budget.

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Block Level Planning in Education

JANDHYALA B.G. TILAK

The natural corollary of beginning to plan realistically and from the bottom is to recognise that planning is not something which comes from outside or the above but what each state, district, locality and community does to develop its own resources and potentialities.

Planning Commission¹

The present system of educational planning is top heavy and resembles an inverted pyramid because most of the planning is done at the national and state levels only. It is necessary to decentralise and broad-base this planning process . . .

J.P. Naik²

PLANNING IN India has generally been from above and as such centralised. The inadequacy of the centralised planning mechanism in delivering the goods was felt quite some time back and accordingly decentralised planning was advocated. Correspondingly micro-level planning exercises have been initiated. In the field of education, planning process in India has not percolated below the state level except in case of one or two states in the country. In many cases, district level planning has been conceived merely as a disaggregation of the targets fixed at the state level. It is generally observed that there is, relatively speaking, more planning in education at the national level, less at the state, still less at the district and nil at the block level.

TYPES OF PLANNING

At the outset, it is necessary to be aware of the definitions of and the distinction between certain concepts like centralised and decentralised planning and micro and macro level planning. A decen-

tralised plan is one where the whole process of planning takes place at the central/national level. Such a plan might as well provide regional (provincial, district level, or block level or even village level) disaggregation of plan proposals, targets, resources, etc. Nevertheless it is a centralised plan. On the other hand, a decentralised plan can be defined as one where the plan process is decentralised--different units of planning take part in the process. Under such a system, the provincial governments or even district authorities receive only guidelines and general objectives of planning from the central planning machinery, but the actual planning process takes place at the provincial or district levels. Theoretically it is possible that the plans prepared by the provincial and regional or local governments are incorporated into the national plan, and it is released by the national plan authorities, in which case the national plan should be considered as a decentralised plan in character and not as a centralised plan. Further, it should be noted that decentralisation in planning is only a matter of degree. In a federal economy planning at provincial level represents one level of decentralisation, planning at district level reflects another level of further decentralisation and so on. In fact a "continuous interplay--the travelling of ideas up and down" between several vertical units of planning such as between centre, provinces, districts, blocks, etc., "is an important feature of the planning process; and the success of the whole programme will largely depend upon its elasticity and dynamism"³ and this determines whether a plan is centralised or decentralised and to what extent.⁴

Quite often the concepts of centralised planning and decentralised planning are synonymously used with macro and micro level planning respectively, which is not true. For instance, in a federal structure planning at provincial level may represent decentralised planning, nevertheless it is a macro plan. The essential characteristic of a micro plan is that the unit of planning represents a level, below which no unit forms a viable unit for planning. If a block forms a viable unit for planning, district level planning may not constitute micro level planning. Similarly if village becomes a viable unit for planning, block level planning does not constitute micro level planning. Micro level planning involves identification of the smallest viable unit for planning. It also requires knowledge of the constituents of the unit and all details regarding these constituents. For example, in block level planning it requires knowledge of the resource position and requirements of each village. If necessary, it should be possible in a micro level planning framework to conduct a census survey of all the households in each village. Then only we can call it micro level

planning in the true spirit of the term.

Another distinction that requires to be made is between local/regional and total plans. Again it is a matter of degree. In a global economy, a plan for, say South Asian region, can be known as a regional plan. In a national economy a state level plan is a regional plan. A plan can be called local, if the plan proposals, targets, resource distribution, etc., are location specific. Thus, it is clear that local planning and micro level planning go with each other, even though they are not synonymous.

Yet another point that requires to be clarified is that about aggregate and sectoral plans. Again it is not correct to use these terms synonymously with either of the above, viz., centralised and decentralised, or macro and micro. Whether it is centralised or decentralised, micro or macro, or regional or total each plan can be aggregate and or sectoral in nature.⁵ For example, an educational plan at a district level can be a decentralised and aggregate plan; but when each sector or the educational structure--the primary, secondary and higher--is planned in the same plan, it can be known as sectoral plan as well. While in many cases an aggregation of sectoral plans may result in aggregate or total plan, it is not necessarily so in all cases, particularly when the different sectors are not independent of each other.

Lastly, it should be noted that any of the multi-level planning exercises--whether at block or district or state or national level--can be attempted for a short-term or medium-term or long-term period. At the same time it can also be rolling in nature which has relatively more provisions for corrections, adjustments and modifications. At any area level, longer the plan horizon larger would be the need for data in greater detail. Further, smaller the size of the unit of planning, smaller would be the cost of failure. In other words, if there is any error in the planning process at the national level, larger would be the damage; and if there is any error at micro level, larger would be the scope for the correction of the damage. In this sense, micro level planning has an added advantage, besides that "the smallness of the size and the scale will in fact provide an opportunity for a greater meticulousness in planning and implementation."⁶

SEARCH FOR A VIABLE UNIT FOR MICRO LEVEL PLANNING

When decentralised or micro level planning is being advocated, an essential step to start with should be the identification of a viable unit for planning. In such a context, the lowest level of unit for planning one can think of in India is the village. But

there are several problems to initiate planning at village level. First, several villages in India are not economically viable units for planning. There are villages spread out spatially making the cost of providing even essential public services to the population in each village too high⁷ and most of the villages have to depend upon outside resources to meet their own needs, whether it is educational needs, or health care, or even for marketing facilities. Economic fortune of a village is linked up necessarily with neighbouring villages. Secondly, planning process requires reasonably competent technical staff, which a village level administration may not be able to afford under present circumstances. Hence, "both on the theoretical grounds and on practical considerations the village fails to meet the minimum criteria for being selected as a unit of decentralised planning".⁸ Even village mandals were found to be not suitable units of planning. The role of the Mandal Panchayats would "essentially be one of promotion and implementation", as "it would not be possible at this stage for them to develop village plans of their own".⁹ During the Second Five-Year Plan attempts were made to constitute Gram Sabhas and to prepare village plans. These exercises never succeeded. "What came out of the exercise were long lists of requirements at the village level without any possibility of getting any adequate financial resources to meet these requirements".¹⁰ The failures made the planners to realise that "it is no longer possible to conceive of the Indian, villages as a closed isolated entity.... to attempt to build them up as self-sufficient economic units.... greater attention will have to be devoted to promote inter-village and regional projects.... that will lead to area development.... and articulate the village better with the region and the nation".¹¹

Accordingly, the idea that village can be the ideal unit for micro level planning was given up and the search for an ideal unit of planning has gone upwards from the village; and by late 1960s district was identified as a possible unit of decentralised planning. Zilla Parishads were identified for this purpose. Though Zilla Parishads had more resources and more competent staff and, therefore, had greater strength to attempt planning for development at district level, district level plans could not succeed. This is essentially because "the nature of planning attempted at the district level by Zilla Parishads was on the same lines as that attempted by the Panchayat Samitis at block level".¹² The local governments at the Zilla Parishad level attempted to cover a much larger spectrum of schemes within the budget of the Zilla Parishad and the allocations of the state governments could not be considered as an adequate arrangement for horizontal planning at the district

level. The experience has showed that it has little effect on the poor and the backward regions. Successful implementation of the development programmes requires systematic and continuous identification of the backward regions and the poor. 'At the district level' as Thimmaiah,¹³ rightly notes, this kind of 'target group' oriented planning exercise could not be implemented because "the district still remained a big unit for achieving social and economic equity". Thus, it is clearly realised that district is too big an area in size and population to make any meaningful attempt of micro level planning. Further, district is, of course, not a homogeneous unit. Large scale variations exist with respect to several plan parameters within the district, which district plans cannot take care of, making thus district level planning either complicated, or superfluous. Micro level planning involves identification of the local specific needs and problems and formulation of programmes and projects involving the utilisation of local resources and implementation of the programmes and projects so as to cater to the local specific needs. It also involves identification of the resources and preparation of their inventory. It has been felt that this cannot be done at the district level; and therefore, the micro unit of planning should obviously be at a much lower level. The size of the micro region (micro level planning unit) should be adequate to ensure maximum concentration of impact of various development programmes. Thus, realising the unviability of district as a unit for micro level planning, the search for a viable micro unit of planning continued; and of late block is being advocated for this purpose.

A cursory view of the five-year plans in India reveals that during the first three five-year plans, the relative emphasis gradually shifted from decentralised to centralised planning and from the Fourth Plan onwards the same trend could be observed but in a reverse direction, i.e., from centralisation to decentralisation.¹⁴ During the First Five-Year Plan 'a grand experiment in decentralisation of planning process' in the form of community development programme was introduced. Under this experiment village was also identified as a unit of planning. The Second Five-Year Plan started with ideas of 'District Development Councils'. During the Third Five-Year Plan the Administrative Reforms Commission suggested that the planning machinery at the state and central levels should be strengthened. In contrast, during the period of the Fourth Five-Year Plan and onwards district level planning has been advocated. The programmes such as Small Farmers' Development Agency (SFDA), Drought Prone Area Programme (DPAP), Intensive Rural Development Programmes (IRDP), etc., were introduced with the district as a base for planning. Of late, since the late 1970s,

arguments are being made in favour of block level planning.

The idea of block level planning is not altogether new. The community development programmes started in early 1950s helped in the conceptualisation of block level plans. The contribution of Grow More Food (GMF) Enquiry Committee¹⁵ to the concept of 'development block' is also important. In this context, it may also be noted that the Balwantray Mehta Committee¹⁶ proposed transfer of administration of elementary education to Panchayati Raj institutions, preferably at the block level and the proposals were implemented in a few states.¹⁷ But the experience had shown that "the idea of block as a unit for planning and development had not completely materialised"¹⁸ essentially because the intermediate levels of planning, such as district, state, region, etc., were bypassed.¹⁹ Block level planning was envisaged in a three-tier framework of local self-government-the district, block and the village. Neither the villages nor the districts nor of course the blocks could succeed in becoming viable units of planning.

BLOCK LEVEL PLANNING IN INDIA

Hence now before it is started again, there is need for a careful study of the problem. The Government of India appointed a committee under the chairmanship of M.L. Dantwala for this purpose. The Dantwala Committee on block level planning made an intensive study of the subject. The Committee warned that there should be a cautious approach to block level planning. It suggested that in the first year of the 1978-83 plan only 100 blocks may be selected for this purpose, and by the end of the plan period the number should gradually increase to 500.²⁰ But, the ambitious planners and policy makers identified 2000 blocks in the country for planning during 1978-83 for special programmes relating to intensive and integrated rural development²¹ and the consequences are well-known.

The following can be identified as the major ingredients of block level planning:²²

- (i) Taking an inventory of the existing and potential resources covering natural, physical, human and financial resources and data collection including analysis of the prevailing levels of development, potential for further development and identification of constraints in development. It includes:
 - (a) gathering of facts, (b) identification of constraints, and (c) determination of development potential.
- (ii) Identification of priorities and identification of the problems needed to be solved through planning. It includes

essentially identification of the target groups. For this purpose a survey of the households would be needed which should not only help in the identification of the number of households and target-groups for whom the planning should be done, but also bring out clearly the type of programmes to be taken up for these groups;

- (iii) Once the magnitude of the problem is known, an essential step would be to assess as to what extent the on-going programmes would take care of the problem. In other words, what is needed is a critical review of on-going programmes, the weaknesses in these programmes, the existing and likely gaps that arise in future and an identification of measures to check them;
- (iv) Formulation of programmes/projects/schools for development and establishment of their spatial and temporal linkages within an integrated framework including the location of the programmes, taking care of the accessibility to the population, adequacy and viability; and devising a plan for further utilisation of the existing resources;
- (v) Estimation of the requirement of the resources--their mobilisation, including the methods of mobilisation of additional resources, if required. It includes assessment of availability of financial resources from various sources--district budget, banking system, private sector, etc., and preparation of a plan for mobilisation of the required resources; and
- (vi) Monitoring and concurrent evaluation (or parallel audit) and development plans and their modification from time to time in the light of the experience.

Block level planning, however, should neither be viewed nor attempted in isolation, but should be viewed as an essential part of overall planning. Fundamentally, it should be consistent with district, state and national level plans. It should provide a link in the overall hierarchy of planning at levels both below and above the block. At the same time, a block level plan should not be "a chopped-off piece of a district plan, but a self-contained plan in its own right."²³ The district level plans get enriched with block level planning exercises. The Dantwala Committee clearly noted that "the preparation of block and district plans will be a part of the same exercise". After all, the imperatives of horizontal and vertical linkages between several layers of planning process should be taken note of. As far as the vertical linkages are concerned, it could be both ways--the top-down linkages as well as the bottom-up

linkages.²⁴ In respect of the former, the block level plans help the district, state and national plans in taking care of the local requirements; and in respect of the latter the block level plans are prepared in consistence with the goals and objectives of national plans. An advantage with a micro plan such as block level plan is that one can easily identify and establish the needed inter-sectoral linkages. The Dantwala Committee also felt that block level planning can sometimes serve as complementary one in nature.²⁵ It should be noted that the block level plan is both an area oriented plan and a target group oriented plan.

It should not be forgotten that block level planning has been evolved as a consequence of failure of planning at macro level in delivering the goods. Particularly macro planning produced growth, but failed with respect to distributional aspects both among the population and among the regions. The poor were left outside the framework of the developmental gains of planning and regional imbalances increased. Hence, it is obvious that while national or state level planning can afford to ignore distributional aspects and to concentrate on production and growth, micro level planning such as block level planning cannot afford to ignore poverty and distributions aspects.²⁶ Block level planning should be distribution-oriented, and target group-oriented besides being location specific. This is clear, when we look at the main objectives of block level planning as described by the Dantwala Committee. The Dantwala Committee²⁷ indicated the following as the main objectives of block level planning:

- (1) Optimum utilisation of the growth potential of the area.
- (2) To ensure that a larger than proportionate gains of development accrue to the weaker sections of the population.
- (3) Fulfilment of the minimum needs.
- (4) Building up of social and economic structure to achieve the above objectives.
- (5) Reorientation of the existing institutions/organisations in order to protect the interests of the poor.
- (6) Building up of appropriate organisations of the poor, especially to protect them from exploitation.
- (7) Promotion of a progressively more egalitarian structure.

Thus it is clearly noticeable that while in general, macro plans at national and state level are productivity-oriented, the plans at block level are expected to take care of the distributional aspects--to improve the levels of living of the poor and thereby reduce the inequalities in the economy. However, the Planning

Commission²⁸ laid relatively much less emphasis on poverty.²⁹

EDUCATIONAL PLANNING AT BLOCK LEVEL

Now in this framework of block level planning we shall examine the process of educational planning. The Dantwala Committee gave a list of activities which could be planned at block level. They include, inter alia, education. However until now many plans at block level were confined to rural development activities such as agriculture, irrigation, water management, fisheries, credit, marketing, etc.

The special characteristics of education³⁰ suggest an approach to planning different from that for other sectors of the economy. For instance, education, by definition, is a long-term activity and hence educational planning whether at micro or macro levels should have a long-term perspective. Every short-term plan in education should fit into the agreed framework of long-term perspective³¹. That is with respect to time dimension.

Secondly, there are three familiar approaches to education: planning, viz., social demand approach (based on demographic aspects), manpower planning approach (based on technological and economic aspects) and investment efficiency approach (based on economic aspects).³² While at the national level, the planner has a choice in the selection of an approach, to the educational planner at a micro level such as at block level (or even at district level), there exists hardly any choice. The block is such a small region that the total output of the educational system in the block cannot be fruitfully employed within the block. The mobility of educated labour across blocks (across even districts and states and at a less dimension across the nations), makes manpower planning approach less relevant at block level. On the same grounds, the investment efficiency approach also fails at the block level, as the output of the education system goes to the places where the rate of return to their education is high, and certainly, migration improves the returns to education.³³

Thus the educational planner at the block level has no option but to choose the social demand approach to planning.³⁴ The approach suggests that the planner should be guided by the demand for education. Keeping in view the growth of population, and more particularly school-going age group, the planner has to estimate the demand for education and accordingly provide the educational facilities in the area. In the given context of the constitutional directive of universalisation of elementary education in India, social demand approach to planning education, at primary and middle levels

serves the purpose adequately. In this case, it is not the society's (voluntary) demand that guides the planner, but it is the constitutional directive which is more important.

Lastly along with this, it may also be made clear that at block level, planning cannot cover the whole educational system. Higher education has to cater to the needs of the whole national economy, in fact of the international economy as well. Planning at the block level can cover products of the educational system upto school level, and rarely upto college level. So, block level planning in education, particularly in the early phases, should largely concentrate on school level education and later at best to college level, and certainly not beyond.

In a decentralised planning framework one can even work out the following format. Central planner at the national level should get involved in higher education and with the problems of production of manpower and skill formation for the activities of 'national' character.³⁵ The state planners (at the provincial level) should take care of technical and vocational education at school level, secondary/higher secondary level education should be planned by district level planners and primary and middle level of education should be planned by local planners at block levels, and in no case primary and middle levels of education ought to be planned by not above the district level planners.³⁷

Thus, once we demarcate the area of planning education at block level, one can identify the stages of planning with special reference to education. They are as follows:

- (1) A diagnostic analysis of educational situation in the region including the gaps and pitfalls in the system (e.g., in the curriculum, locational planning, provision of facilities, etc.), the progress achieved (e.g., physical expansion, growth in enrolment, promotion rates, etc.), the tasks left to be done through planning such as reduction in non-participation, reduction in dropouts, etc. It should give a total picture of quantitative and qualitative performance of the system in the past, the factors that helped/hindered the progress and the constraints--physical, financial, technological and administrative.
- (2) Identification of the target groups, say for example, groups among whom: (i) non-participation in education is high, (ii) the dropout and stagnation rates are high, (iii) illiteracy rates are high, (iv) educable abilities are low, etc. For example, the target groups may include backward castes, girls particularly belonging to backward castes, etc.

- (3) Identification and formulation of programmes for the target groups on the one hand and for the area development on the other. The former includes programmes like incentives--scholarships, mid-day meals, free provision of books, etc., special coaching classes for the groups whose educable skills are low, etc. The latter, i.e., the area development programmes include opening of more schools, schools exclusively for girls, Ashram schools for tribals, etc., strengthening the existing school facilities by providing more amenities, opening non-formal and adult literacy centres, etc.
- (4) Identification of the places where the new schools or centres of learning are to be located, taking care of their geographical accessibility to the weaker sections.
- (5) Identification of suitable timings for the population, identification of area and population relevant curriculum, and so on.
- (6) Lastly, the financial implications of the whole plan proposals should be worked out including the contributions from various sources, which include government sector, household sector and other private sector. While the potentialities of the total resources should be best exploited, they may not be adequate. 'Financing educational plans', as Kundu³⁸ rightly notes, "at the local levels would be a major problem. It may not be possible to find resources for all educational projects locally, and therefore, a suitable scheme of grant-in-aid needs to be evolved." A proper system of transfer of resources from the Central Government to the state governments, from the states to the districts and from the districts to the blocks is to be evolved for the success of block level planning. With regard to community's resources for education, it should be noted that local plans such as block and district level plans have an advantage of generating more resources for education.³⁹

Above all, attempts should be made at the block level for integration of educational planning with socio-economic development planning, establishing both horizontal and vertical linkages between educational activities and other developmental activities making both of them inter-dependent, as well as between different layers of education. For example, the buildings provided for other developmental activities such as posts and telegraphs, banks, etc., could be planned in such a way that they can be used for educational purpose also or the other way, i.e., school buildings should be

planned in such a way that they can be used for other purposes also. Similarly the human resources available in the block such as doctors, other health personnel, agricultural extension workers, etc., can be used for teaching purposes in the schools.⁴⁰

CONCLUDING OBSERVATIONS

It may be noted at the end that comprehensive block level planning requires huge amount of data in great detail both on education and related aspects, not only relating to the block but also relating to the surrounding blocks as well. While educational planning even at the national level requires a large amount of data, at the block level the requirements are larger.⁴¹ Essentially constrained by data limitations, the planner would be forced to adopt methodologies which are not necessarily the best and make assumptions about the relationships between several variables--exogenous and endogenous--or adopt macro norms, which may not be the correct ones. If the whole exercise is based on national norms and arbitrary assumptions or assumptions which may be true at the national level only, educational planning at block level may defeat the very purpose of micro level planning and it will not assume much significance as it may otherwise assume.⁴²

Further when there are no vertical and horizontal linkages in the multi-level planning process, each planning exercise would be in isolation with no explicit relationship between plans prepared at different levels, or at same level between different units. A block level planner may get confined to his block only, and may be unaware of the demands of the neighbouring blocks on the education of the block concerned. Integration of block level plans at the district or state levels plans is very important. After all, an aggregation of block level plans may not produce a district/state plan. Hence a careful integration of block level plans in education with macro educational plans on the one hand, and the integration of educational plans with socio-economic plans both at micro and macro levels on the other, are very crucial for the success of block level planning in education.

It is regretful that "there has been a total lack of understanding on the part of the Planning Commission or the state planning departments about the concept of block level plans as conceived by regional planners".⁴³ Block level plan as contemplated by the regional planner is supposed to be a multi purpose plan for the overall development of the block. It is both an area development and target group-oriented plan.

Finally, the whole discussion here is based on the assumption that block is the viable unit for educational planning but it need not necessarily be true. Of late, the problems of planning at block level are also found to be too many and a search for smaller unit viable for educational planning such as 'education or school cluster' is going on. Afterall, the concept of cluster of villages is not altogether new.⁴⁴

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French and Indian Planning Systems

A Comparative Study

KAMTA PRASAD

PLANNING SYSTEM of any country is conditioned by the socio-economic, political and administrative framework within which it operates. Since both India and France are democratic countries with a mixed economy and centralised administration, it is not surprising to find common points in their planning systems. France, however, is an economically advanced country while India is not. France has been an unitary state whereas India has been a federation of states. France is basically a capitalist economy and intends to be so, whereas India is committed to establish and sustain a socialist system. Consequently, there are several dissimilarities in the planning systems of the two countries which are no less marked than the similarities. In this article, an attempt is being made to analyse salient features of the French planning system and to compare them with those of India's. While doing so, more details would be provided about the system in France as the readers of this Journal are likely to be less familiar with it as compared to that in India.¹ Further, on account of limitation of space, the description of the French system also has been kept as brief as possible.²

RELATIVE STABILITY OF THE TWO PLANNING SYSTEMS

France introduced economic planning in 1946 and has continued with it since then. During this period, the strategy of planning has undergone several changes as is to be expected on account of the changing economic and social reality. The emphasis on planning as a strategy of national development has also varied from time to time. But the planning system has exhibited a greater degree of stability. India, too, has a long (since 1951) and varied experience of planning, characterised similarly by a relative stability of its planning system which has hardly undergone any change ever since the period of its Second Five-Year Plan.

As between the two countries, it is the French planning system which has been more flexible even though, unlike India's, it has a

statutory framework.³ The scope of French planning has been increasing over the years.⁴ It increased from a few basic industries sector during the First Plan (1946-53) to all industries from the Second (1954-57), and to the social overhead capital sector from the Fourth (1962-65). And with the Sixth Plan (1971-75), the programming was virtually complete. There was also a gradual shift towards more macro-economic planning from the Third (1958-61) to the Seventh Plan (1976-80). Though dominated by aspects dealing with investment and production, planning could not remain completely indifferent to questions of distribution. This could be seen more clearly after the Fifth Plan (1966-70) though its origins have been traced back to the Third Plan by Y. Ullmo.⁵ Further, there have been, differences in approach to public outlays adopted by the different plans. Before 1961, the plans gave just an outline of future development of the economy, specially industries, and sought to influence firms in use of their funds. The Fourth and Fifth Plans, however, contained targets for the growth of public investment by category. The Sixth Plan merely predicted overall public spending. This was given up in the Seventh Plan which concentrated on a limited number (twenty-five) of priority action programmes (the PAP) covering only about 15 per cent of the State's overall civil expenditure budget which was to be immune from future cuts, if any. The still-born Eighth Plan (1981-85) and the just introduced Ninth Plan (1984-88) have also adopted the same approach. Another change noticeable in recent years from the period of the Revised Seventh Plan is the tendency to give expression to strategies in qualitative terms in place of quantitative targets. The increasing uncertainty on account of the international factor and the planners' inability to predict them accurately showed the futility of having precise targets. A few macro-level targets have, no doubt, been given in the Ninth Plan. But these are expressed in relative and not absolute terms. For example, it has been indicated that the growth rate should be higher and the inflation rate lower than the corresponding rates of the European Economic Community. In contrast, the scope and method of planning have not undergone any significant change in India. From the very inception of planning, India opted for comprehensive planning along with financial allocation and target fixation and has continued with them despite setbacks. The strategy of planning has also remained more or less the same since the Second Plan (1956-61)--around the Mahalanobis model. With regard to the institutional framework also, the French experience has been more varied than the Indian. As described in the next section, the names, compositions and functions of higher level planning institutions in France have undergone several changes, e.g., from the High Planning Council

established in 1946 to the Central Planning Council in 1974 and to the National Planning Commission since 1982. In contrast, the National Development Council, a somewhat analogous body in India, has remained intact over the past three decades.

INSTITUTIONAL FRAMEWORK

The Planning Commissariat

Like the Planning Commission in India, the French have a technical body known as the Commissariat General du Plan (hitherto referred to as the Commissariat) which performs a key role in the planning process being responsible for preparation, execution and monitoring of the plan. The internal structure of both the institutions is similar consisting of several divisions and sections. Like the plan body in India, the Commissariat also serves as a meeting place, a round table for different ministries and others. But its own role is not regarded as passive. According to several commentators, it tries to steer the meetings in such a way as to secure the maximum agreement for its own list of priorities and programmes. The Commissariat has no administrative power over the economy. Whatever opportunity it gets to influence decisions is provided by its representation in a large number of decision-making bodies. However, the extent to which it fully shares in the decision-making or is just informed of this is not known definitely. The position in India is somewhat similar, except for the fact that the Indian Planning Commission has power to determine allocations of plan funds to different ministries and states and has a predominant voice in the fixation of their targets. This, combined with the authority of the Prime Minister, who is the Chairman of the Planning Commission in India, enables it to exert a more powerful influence than is suggested by its advisory role and the fact that it is not a statutory body.

Administratively, the Commissariat has been under the charge of either the Prime Minister or some other minister. It is headed by a high-ranking officer called Planning Commissioner (Commissaire au Plan). The influence of the Commissariat often depends very much on the personal status of this functionary specially his personal equation with the President and the Prime Minister. The Indian Planning Commission is formally headed by the Prime Minister. However, it is the Deputy Chairman, holding the status of a Cabinet Minister, who is the whole time operational head. Unlike its Indian counterpart, which is a large organisation, the Commissariat is a small body of professional experts whose strength in 1983 was around 75 and was much smaller earlier.

Technical Institutions

If the Commissariat has been able to provide forecasts and prepare details of plans despite its small staff, it is because of the considerable technical support that it has been receiving from several research institutions which work quite closely with it. Of these, by far the most important is the INSEE under the Ministry of Finance. It is a huge organisation with thousands of staff and is responsible for processing and supply of data. It develops models and provides forecasts, but its main role is that of a central statistical office. Assistance is also provided by the research and forecasting directorate (DP) of the Finance Ministry. There are three research centres supported by the Commissariat which also play a useful role. These are the CEPREMAP, the CERC and the CREDOC. There was a time in the 'fifties and early 'sixties when the Indian Planning Commission also used to depend similarly on the Indian Statistical Institute, but not so any more. Some research studies are no doubt sponsored by the Planning Commission but, by and large, it conducts many technical exercises on its own and is more or less self-sufficient in this respect.

The Working Groups or Commissions

One of the most distinguishing features of the French planning system, which has attracted widespread attention is the way it involves thousands of people in plan formulation through groups first called Modernisation Commissions and now only commissions or working groups. Bauchet rightly describes them as 'the really original feature of the French System'. Some 3000 persons were associated with the formulation of the Fourth Plan. The number was about 4000 for the Fifth Plan and more than 5000 for the Sixth Plan though not all of them were involved throughout the plan preparation period. The commissions/working groups consist of selected representatives of management, the trade unions, agricultural interests, consumer groups, the financial community, government officials, planners and experts. They have been dominated by business and government executives. The other groups, such as the trade unions, have often been unhappy with this and have at times refused to participate in the deliberations of these groups. The inclusion of businessmen and trade unions on these bodies, specially the former, shows the manner in which the functioning of the market economy has affected the modus operandi of the French planning system.

India, no doubt, has also its working groups which are appointed by the Planning Commission at the time a plan is formulated. But these are primarily official bodies consisting mostly of officers from the government, both Central and states, supplemented marginal-

ly by a few professional experts. The private sector is either not associated or associated in a nominal sense only. Same is the case with the trade unions. Some similarity may be seen in the Development Councils for several industries established by the Industries Department under the Industries Development and Regulation Act, 1951. But it is doubtful whether they have any role in the formulation of the plan. As regards sectors other than big industries, such as small and household enterprises, agriculture, animal husbandry, fisheries, trade and commerce, transport and communication, even such a mechanism is not there. Moreover, the French working groups meet more frequently and regularly.

Like the Indian counterparts, the French working groups are essentially advisory bodies. Their usefulness lies in providing an opportunity for arriving at national consensus on various issues or locating points of agreements and divergence, since they are meeting grounds for interest groups. Their deliberations yield information on production possibilities and market trends for a number of industries as well as on the main economic and social aspirations of the nation. These provide an opportunity to know the reactions of concerned parties to proposed policy changes. The role of these groups, however, is not that pervasive as had been made out in the early years of French planning. During the period of the Fifth Plan, it became clear that 'concertation' could not lead to national consensus. Its role was only to bring together the points of view of the different economic and social forces.⁶ The role of these commissions declined further during the seventies when the task of coordinating industrial policy was given by the then Prime Minister Barre to the Ministry of Industry.⁷ The seventies also witnessed the growing importance of econometric modelling for both medium-term forecasting and policy. Modelled forecasting might have left less freedom for bargaining.⁸ Besides, the process of preparation of the Seventh Plan resulting in Priority Action Programmes led in effect to a further decline in the role of these commissions as pointed out by Prof. Jack Hayward.⁹

Other Institutions

Another body involved in the planning process in France is the Economic and Social Council. Established in 1946, it is made up of almost 200 representatives of various interest groups (the trade unions, employers, farmers, artisans, etc.) and intellectuals appointed for five years. It is an advisory body not only on matters connected with the plan, but on economic and social problems in general. India has no similar institution. In addition, France has experimented with similar other high level institutions, such as

the High Planning Council, established in 1946, consisting of ministers and heads of various national bodies, such as the Chamber of Commerce, the employers federation, trade union groups and so on. A somewhat similar but much more powerful body, namely the Central Planning Council, was established in September 1974 by President Giscard. Headed by the President himself, this body consisted of the Prime Minister, the Minister of Economy and Finance, the Minister of Labour, and the Planning Commissioner as permanent members. Other Ministers could also attend during discussions on certain subjects as occasional members. This council was given the power to orient the work of the Commissariat, to define the objectives of economic and social policies and decide about the priority programmes. The 1982 reform has done away with this body. Instead a democratically constituted National Planning Commission has been established. It consists of representatives of the regions and of the organisations for workers, employers, farmers, small business, distributive trades, the professions, public sector industry, banks, cooperatives and cultural bodies. It is chaired by the Minister in charge of planning, who is the only representative of the national government on the Commission. Its functions are to prepare the plan and review the preceding plan. The Commissariat, of course, remains intact, but it serves as the secretariat for the National Planning Commission besides continuing to serve as a Secretariat for the government. This body, again, has no counterpart in India though the National Development Council, consisting of some members of the Union Cabinet and the Chief Ministers of the states, headed by the Prime Minister is somewhat similar. But the Indian body, though in existence from the very inception of planning, has met rather infrequently and has been largely superfluous.

The draft of the plan in both the countries is sent to Parliament for approval. But, because of the governmental control over it in both countries, the part played by the Parliament has actually been limited primarily to making of marginal changes in the draft of the Plan.

The Plan and the Government

In the ultimate analysis, it is the government that has the final say in plan formulation in both the countries. The government exercises this influence through a number of ways and at different stages during the preparation of the plan. The basic decisions regarding objectives and package of policies are taken by it. The views of various ministries are taken into account while finalising the content of the plan. Further, the draft plan is examined and approved by the Cabinet before it is forwarded to Parliament.

Within the government, it was the bureaucracy which had a major say in the planning process in France in the early years. The role of the politician was very much limited, specially during the period of the Fourth Republic characterised by political instability. However, political stability under President de Gaulle and his successors caused the Plan to be identified with the government. Gradually the idea of consensus grew weaker and has been replaced by a realisation that the plan represents the government's medium-term economic and social policy. So long as the same party was in power, this process did not affect the continuity of the plan. But with the change of the party in power in 1981, the Eighth Plan formulated by the previous government was abandoned and an Intermediary plan for 1982-83 was adopted. This has been followed by the Ninth Plan for the period 1984-88.

In India, planning has always been more closely identified with the Central Government. The Planning Commission itself is headed by the Prime Minister. Changes of the type that took place in France in 1981 occurred twice in India. In 1977, when the Janata Party came to power, it terminated the on-going Sixth Five-Year Plan and introduced a new one of its own which, in turn, was terminated prematurely in 1980 when the Congress party came back to power.

PLAN FORMULATION PROCESS

Plan Models and Planning Techniques

Planning is a complex exercise. It embraces an overall and integrated view of the economy and needs to take simultaneous action in several interrelated directions. Its formulation, therefore, is facilitated by plan models and planning techniques which have been used considerably in both the countries. India started using sophisticated planning models from an early stage. The Mahalanobis model used for the Second Plan (1956-61) was subsequently supplemented by multi-sectoral models based on input-output tables. These have been made more sophisticated during recent years. In contrast, the French started with rudimentary planning methods and built up sophisticated models only gradually. No formal models were used till the 1970s. There was not even an effective national account system in the 1940s when planning started. It was in the later part of the fifties during the period of the Second and Third Plans that a system of national accounts was properly established and simple input-output tables were constructed. Besides using input-output technique and overall economic table, the Fifth Plan also made use of elementary econometric methods for the first time.

It was from the Sixth Plan onward that attempts were made to model behavioural relationships. Both the Sixth and the Seventh Plans used formal and somewhat rigid econometric methods within the framework of a macro-economic model known as the FIFI (physico-Financier) model with about 2000 equations. In the late 1970s, a new and dynamic forecasting model known as the DMS (Dynamique multi-sectoriel) was developed and used for the Eighth Plan. This model has about 2000 equations of which about 1400 are identities.

The use of models like the FIFI and the DMS has improved the efficiency of plan formulation process in France by providing more detailed information at faster rate to administrators and others involved in the task of preparing the Plan. Advances in computer simulation techniques in the late 1970s have been equally useful. For example, it has been noted that the commissions dealing with social policy had access to econometric models that allowed them to simulate instantaneously the economic and financial consequences of any proposed measures. At the same time, as pointed out earlier, modelled forecasting might have reduced the field of 'concertation' between government and social partners by leaving less freedom for bargaining. It has also been reported that several participants felt dominated by the models and overwhelmed by the mass of data provided by them. It appeared to them as if the initiative passed from the hands of the decision-makers to those of the technicians.¹⁰ Ironically, the increasing sophistication of econometric modelling in France took place at a time when importance of planning, in general, and that of planning quantitative and precise objectives, in particular, declined. Consequently, the plan forecasts came to have substantially less operational significance in the 1970s than the earlier ones.

Both India and France have made use of perspective planning techniques to set their medium-term plans in some longer-term context but without much success. Every plan in India has contained some exercise on long-term perspective. But it has been not so regular in France which made its first long-term exercise at the time of its Third Plan. It was during the Fourth and more particularly the Fifth Plan that an attempt was made to build a logical structure for long-term studies. This was further developed during the Sixth Plan. However, a proper integration of long-term studies with the medium-term plan could not take place. And the Seventh, Eighth and Ninth Plans were prepared without any long-term quantitative perspective. Thus, planning in both the countries is concerned essentially with the medium-term, covering a period of five years.

Stages in Plan Preparation

Over a period of time, the French have developed an elaborate system of plan preparation involving interaction between different planning institutions described in the preceding section. Work on the Plan starts with alternative forecasts of the prospects of development of the economy. This is undertaken by the Commissariat along with the INSEE and other technical bodies. Thereafter, these forecasts are submitted to the government which decides on a growth rate and communicates the same to the Commissariat. At this stage, the government also adds directives covering any other objectives such as those related to balance of payments, education, housing, urban development, etc. The issue of these directives by the government represents an important stage in the planning process which has been described as 'watershed' by Hackett and Hackett. Before this, work is essentially one of forecasting and facilitating the choice of ends and means by competent bodies. After this, the detailed framing of the plan starts. The vertical commissions within the Commissariat set out to prepare detailed and consistent targets by sectors and industries. Terminal year targets by sectors and industries are broken down and built up again by an iterative process to obtain consistency, shuttling back and forth between the horizontal and vertical commissions and the Commissariat staff itself. This is followed by making the final synthesis, resulting in the preparation of the draft plan by the Commissariat for being sent to the government. Controversial points of policy, if any, are settled by the government. The President, the Prime Minister and the Cabinet are consulted on several occasions before the draft is completed: they usually know what the draft would be like. However, the draft is subsequently discussed in the Cabinet and necessary modifications made. The draft Ninth Plan is prepared under the guidance of the National Planning Commission itself. Subsequently, it is sent to other authorities for their approval.

Under an Act passed by the Parliament on August 4, 1962, the preparation of the Plan was split into two stages; the first phase resulting in government submitting to the Parliament a bill containing the main options governing the drafting of the Plan and the second phase resulting in the submission of the Plan proper to the Economic and Social Council for its opinion and to Parliament for its approval. No substantial change has been introduced into this process even after the Socialists came to power in 1981. The July 1982 Act also contains the principle of approval of the Plan in two phases. Under the new procedures, the first plan law will define strategic choices and the objectives and the second, six months later, will define the legal, financial and administrative measures

to be taken for achieving the objectives.¹¹ Many of these steps are also followed in India but the procedure is not as systematic as it has been in France. In particular, India does not have a well laid out time schedule for various stages in plan preparation as in France. Consequently, the formulation of a five-year plan in India gets delayed and one does not know when a particular stage will be over and another will start.

Decentralisation of Planning

Attempts to decentralise the planning process have been made in both India and France. India, no doubt, has a more varied and longer experience in this respect as is to be expected in view of its much larger size and a federal Constitution. Because of the constitutional requirements, planning at the state level in India has been as old as planning at the national level. But, for various reasons, the state level planning has remained weak and largely ineffective. This was specially so in the earlier years. The situation with regard to planning at sub-state levels, namely, the district and the block, is even worse despite the widely felt need for the same. Several experiments have been made since 1952. These include measures at democratic decentralisation initiated in the fifties and steps to establish planning machinery at the district level since 1969 and, specially during the past few years. Sporadic attempts to decentralise planning further at the block level have also been made during the past few years but without any success. These measures have been introduced, not through any constitutional amendment, but through administrative orders. Their operation, therefore, depends on the sweet will and mercy of the government at the state level.

In France, efforts to decentralise the planning process have been made primarily at the level of the region, a planning unit just below the nation. The first step taken was in March 1964 when the national government passed an Act to transfer certain powers from itself to the regional level and to establish appropriate agencies (such as the CODER) for exercising those powers. At the same time, the central ministries made the territorial limits of their regional services coincide with the limits of these Regions. However, these measures had only a limited success. Devoid of any autonomy, the Regions continued to depend entirely on the Centre. Another law was, therefore, passed in July 1972. But, being halfhearted, this too could not produce any significant impact. The Regional prefect, appointed by the Centre, continued to supervise the work. In the period that followed, the regional planning institutions started languishing. Thus, in France, as in India, it is planning at the

national level which has continued to occupy a dominant position. This is not surprising in view of the centralised administrative system in both the countries. France, however, has introduced a major change in recent years after Mitterand became its President in 1981. A number of changes in the administrative system at various administrative levels like the Commune, Department, and Region have been introduced to provide the institutional basis for decentralised planning in general and regional planning in particular. The regions have been given the freedom and responsibility to formulate their own plans. In addition, the representation of Regional Presidents (who are elected heads of their regions) on the National Planning Commission is intended to ensure that the preferences and expectations of the regions are taken during formulation of the national plan. Certain supplementary measures like allocation of responsibilities between the different levels have also been taken--a necessary task which India has not completed so far. France has, thus, gone ahead of India by giving statutory powers to regional and local institutions in contrast to the methods of administrative orders and guidelines adopted in India. France is also going ahead with a scheme of financial devolution at regional and local levels--a task which, though introduced in some states in India, is not yet completed in most of them.¹² The effectiveness of the newly introduced measures in France can be assessed only after some time. But a good beginning has certainly been made.

PLAN IMPLEMENTATION PROCESS

What mechanisms help to ensure that the plan would be implemented when the planning authority has no controlling power over the economy? One such mechanism in both countries is provided by the plan itself. A plan, which is well prepared and whose various targets and forecasts are internally consistent, may induce the economic agents to follow it in their own interest. Implementation is also facilitated by the representation of the planning agencies of both countries on many of the bodies of the government dealing with formulation and execution of economic and social policies. In France, the process of consultation in the various commissions/working groups involving those responsible for execution of projects/programmes also tends to facilitate implementation. Moreover, the Commissariat in France has been involved, in a more intimate manner, in the execution of the Priority Action Programmes (PAP) started during the Seventh Plan and its successor the PPE of the Ninth Plan. These programmes are given priority funding during the preparation of the annual budgets, even if this is at the expense of other

projects presented by the ministries.

With regard to specific measures for influencing decisions in private sector for attaining plan targets, France has relied primarily on economic incentives whereas India has used both economic incentives as well as coercive measures. Incentives often used in France include allocation of credit, tax reductions, accelerated depreciation allowances in certain cases, state guarantee of loans, and subsidies. These have been available for various objectives, like encouragement of exports, regional development, scientific and technical research, industrial conversion and restructuring, investment and savings, productivity, modernisation and international competitiveness. A firm can avail of several incentives at the same time. However, it is credit planning which has been more important. This was more so specially in the early years of planning when firms needed public or publicly controlled funds (e.g., from credit institutions) for financing their investment in view of the limited extent of self-financing, e.g., 22.7 per cent in 1947, 23.7 per cent in 1948, 30.1 per cent in 1949 and 34.7 per cent in 1950. During the fifties, the extent of self-financing increased to about 45 per cent and further to around 70 per cent during the seventies, and with this the role of the plan also changed. As Dr. S.S. Cohen points out, while supplying cheap credit continued to be a means of promoting desired investments, its withholding was no longer a means to forbid undesirable investment.¹³ In other words, this instrument was changed from a control to an incentive.

In general, these incentives are more effective for small firms whose financial position is not very strong. Giant firms, on the other hand, can easily afford to ignore them and undertake major investment projects without the approval and support of the plan. They, no doubt, avail of the incentives. But in many cases they do so for carrying out activities which they would have carried out even otherwise. Further, the incentives operate on the supply side. They seek to induce firms to pursue desirable activities by making them profitable. But they are not intended to prevent an enterprise from expanding beyond the targets of the plan or in unplanned directions. Indian experience in this respect is quite different. Apart from using incentives the authorities in India have not hesitated to impose curbs on the growth of private enterprise in certain directions considered undesirable in the social interest.

France has a large component of public sector specially in areas of critical importance to the economy. Prima facie, the plan should have complete control over the public sector. But not so in France. Except in its initial years, French planning did not indicate specific targets or obligations to individual firms whether in the public

or private sectors. Moreover, the public enterprises in France have a strong tradition of autonomy which they seek to maintain. Some of them, especially those in the competitive sector, guard their autonomy better than firms in the private sector. The case of the Renault car is well known.¹⁴ Much of the control or influence that the Commissariat has over the public sector enterprises is generally exercised through the Ministry of Finance while finalising the budget. In India, the situation is slightly better since the public sector is tightly controlled by the respective ministries. But even here, the Planning Commission has no direct control over it.

Successful plan implementation in both India and France is also constrained by inadequate integration and (sometimes) even conflict between medium-term programming and short-term management. Changes in economic situation during the life of a plan necessitate taking up of short-term measures, e.g., changes in wages, military spending, imports, prices, etc., which, being of the nature of fire-fighting operations, get precedence over longer-term objectives resulting in deviations from the content of a plan and consequent non-fulfilment of its targets.

Recent Measures

Better implementation has been one of the principal objectives of the July 1982 Act passed by the Mitterand Government. Two new measures, programme laws and planning contracts, have been introduced for this purpose. The passing of a programme law by Parliament implies commitment of the government to provide funds for the concerned programme over a period of time. Greater stress has been laid on making of planning contracts between different implementing agencies, such as the State, the regions or private agencies. This technique will be used to facilitate the implementation of not only the priority programmes under the national plan, but also those of regional and other local authorities.¹⁵ Once the contract is signed, arrangements for funds are made, implementation is ensured. Implementation of the priority programmes included under the PPE (Programme Prioritaire d'Execution) is ensured by commitment to provide funds for them on a priority basis. The Ninth Plan has already made good beginning in this direction. The programmes included constitute 20 per cent of capital budget and six per cent of total public outlay for the year 1984. Further, the proportions are to go up to 30 per cent of capital budget and 8 per cent of total public outlay by the end of the Ninth Plan. These are not small figures if we note that a greater part of public outlay is used in meeting the requirements of continuing projects. For the first time, in the history of French planning, annual breakdown of

costs of programme under the PPE has been given. And in 1984, budgetary allocations for the PPE were made exactly as they occur in the Plan. On the whole, the new measures are an improvement over the earlier situation. India has yet to ensure a conformity between the Plan and the Budget to this extent. The so-called core sectors of the Indian plans do not imply long-term commitment for funds of the type indicated by the PPE.

PLANNING AND THE MARKET MECHANISM

Unlike Soviet Union and several other countries, both India and France introduced and continued with planning without abandoning the market mechanism. But the market economy in France, has not been subjected to that much control and regulation as in India. This, therefore, raises a basic question about the extent to which the French economy can be regarded as a planned one. Does planning in France involve purposeful direction of resources? If so, how does it affect the functioning of the market mechanism? The answer to these questions depends upon the way the term planning is defined. On this, there is no consensus. If planning is understood in the sense of a complete direction of all resources of a nation of the type that exists in a communist country, then certainly, France cannot be described as a planned economy. The government does not have direct ownership or control over all or even a major part of the means of production despite the gradual increase in this over a period of time. Nor does it indulge ordinarily in price and wage controls, import quotas, consumer rationing or government allocations of raw-materials and capital of a type that exists in market economies like India. It is a characteristic of the French planning system that it is based primarily on persuasion, consent and inducements rather than on coercion. It reduces constraints to the market rather than increases them. However, authoritarianism and collective ownership of the means of production need not be the essential characteristics of planning though earlier they seemed to be so in view of the close association of the term planning with the Soviet model. What planning implies is a purposeful direction of resources by the state the outcome of which should be different from the one brought about by the free play of market forces. The methods employed may vary from country to country: these include public ownership of means of production or use of coercion, inducement or persuasion or varying mixtures of these. All of them, however, aim at solutions which should be different from the ones that would be brought about by the market forces in the absence of planning. France is often cited as an example of how the authorities have succeeded in

attaining certain goals while retaining the market system.

There are several well-known ways in which French style planning is supposed to work through and influence the market mechanism. However, a basic point is that planning through the market has greater chance of success if its goals are in harmony with the interests of the leading operators of the market. Goals like efficiency, modernisation and growth belong to this category. On the other hand, it may be less effective if the goals run counter to the interests of these operators. For example, goals, like reduction of disparities in income distribution or restricting the growth of monopolies, belong to this category. An important reason for the so-called success of French planning lies in the fact that its aims have generally been in harmony with the interests of the big business. The plans have concentrated on efficiency and expansion and not on questions of equity. They have concentrated more on speed of development rather than on its direction. Nor have they put any restriction on the expansion of big business. Planning, indeed, came as an aid to the market system so that it can face international competition. French planning has been planning in a market economy for the benefit of the market economy. It is in this respect that the Indian planning differs most significantly from the French. Objectives related to distribution of income have always occupied an important place in the Indian plans. It is this consideration that has forced India to put a number of physical restrictions on the operation of market forces and give higher priority to the expansion of the public sector.

Another characteristic of the French planning system, different from the Indian one, relates to the role of the private sector in the process of plan formulation itself. As indicated earlier, unlike India, the French have designed a planning system in which the private sector is prominently associated with it. Such an arrangement has helped both the private sector as well as the planning authorities. The French model has proved useful to the authorities in helping them to obtain relevant data and information, to prepare realistic plans and to facilitate implementation. This is one reason why the French planning system has been as effective as it has been despite so little power enjoyed by it.

PLANNING - INDICATIVE OR IMPERATIVE?

Indicative planning (as opposed to imperative) has for long been regarded by many as the most important feature of the French planning system. This shows the directions in which the economy ought to go rather than providing specific targets for individual plants

and firms. Indicative planning, however, is not a very correct description of French style planning since it ignores the role of practical objectives which have been essential features of every plan. In fact, as Bauchet pointed out long ago, "the merely 'indicative plan' by which a state attempts only to look into the future without trying to change it is not worthy of the name".¹⁶ The basis for indicative planning lies in the belief that the French plans just give forecasts of economic activities. However, the projections of the future or the targets given in the plan are not just the outcome of forecasting in the usual sense of the term: they also take into account the directions of state policy. The targeted levels are on the assumption of the operation of the planned policy measures. Such targets have been fixed for certain basic sectors as in the first two plans or for macro aggregates like overall growth rate as in the subsequent plans. Thus, the plans provide conditional forecasts--some of the conditions being elements of a policy. The manner in which the forecasts are determined can be illustrated with reference to what happened during the preparation of the Seventh Plan. The INSEE had made a forecast of the growth rate of income at 3.8 per cent. However, the government considered it low. There was, therefore, a deliberate decision to have a more ambitious target of 5.5 to 6 per cent.¹⁷

A purely indicative plan would imply that government does not orient growth in a direction different from that which would have prevailed in the absence of the plan. This view of indicative planning is clearly inapplicable for any scheme of planned development which is a normative matter of values, choices and conflicts. The direction of growth is determined by choices between (say) more hospitals or more motor cars, more leisure or higher output, etc. Any normative decision is bound to effect the allocation of resources. As an earlier Planning Commissioner Masse pointed out long ago.... The Plan is in principle normative, the projection (on which the plan is based) is partly normative and partly predictive".¹⁸ Masse, therefore, described French planning as 'indicative but active'.¹⁹ Similar views have been expressed by subsequent planners also, e.g., M. Jacques Delmas-Marsalet, a former Chief of the Finance Division of the Planning commissariat.²⁰ Thus, French planning is not confined simply to forecasting and describing the spontaneous development of the French economy--as might be suggested by the term indicative--but also to guiding it towards the attainment of chosen objectives for which certain policy instruments, mostly of the nature of incentives, are used.

Planning in India as in France is also a combination of indicative and imperative planning. The targets for the private sector,

specially for the unorganised sectors in agriculture, industry, trade, transportation and services which constitute a significant part of the Indian economy are essentially indicative in nature. However, it is also true that the imperative element is more pronounced in India while the indicative one is more so in France. This is facilitated by the fact that the private sector in India is subject to a greater degree of control and the public sector more subservient to the government than in France. The scope of public sector is also larger in India. On the whole, planning in India is more comprehensive than that in France. But whether it is more effective remains doubtful.

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Economic Planning in Japan

P.R. DUBHASHI

THE TERM 'Japanese miracle' is often used to describe the spectacular process of economic development that took place in Japan after World War II. It transformed an economy ruined beyond recognition at the end of the World War II into one which by the turn of the century is expected to be the most advanced economy in the world, with the largest or the second largest gross national product. Some kind of planning process and plan organisation were associated with this economic development from the very beginning though it bore no resemblance to Soviet type of planning. Japan provides an example of planning combined with free enterprise and the market economy, with government nevertheless playing a decisive role in directing the economy through effective policy measures.

The post-war process of economic development in Japan is divided into very clear-cut stages: First, the decade of 1945-54 which was marked by desperate struggle to rebuild the war-shattered economy of Japan; second, the decade from 1955-64 which was marked by two unprecedented spells of prosperity which transformed the industrial structure of the Japanese economy, as a result of which Japan found itself emerging as one of the major industrial powers of the world; the third stage over the decade from 1965-74 in which the Japanese economy enjoyed a record long prosperity in the first five years and then faced many crises in the last five years; and the fourth period from 1975 onwards following the severe oil crisis and its consequences. In what follows an attempt is made to give a brief picture of the problems and achievements during these four periods, each extending over a decade, and the role of the planning agencies.

FIRST DECADE: 1945 TO 54

Here the triple goals of economic management were reconstruction, stability and battle against severe post-war inflation and self-viability which would enable Japan to stand on her own foot without assistance from the United States of America. The economic set back

received by Japan as a result of the war could be gauged from the fact that real gross national product per capita was nearly half, industrial production fell to about 30 per cent of 1934-36 average, industrial productivity was reduced to about a fifth, agricultural output slumped to 60 per cent of the pre-war level, real wages to about 30 per cent, and real consumption expenditure to about 60 per cent of the pre-war level. The dominating concern in the first stage was, therefore, to end under-production through reconstruction.

To deal with this unprecedented chaos of the national economy, the economic stabilisation goal was established to formulate and implement a priority production strategy aimed at stimulating production and curbing inflation. In 1948, the Japanese economy was successfully launched upon a course of reconstruction. The government's first White Paper titled 'Report on the Present Situation of the Economy' was published in July 1947. The Economic Stabilisation Board was conceived as a general planning agency in charge of economic controls. The Prices Agency was also established to be in charge of the implementation of price controls. Both agencies operated like an integrated organ, since the Director General of Economic Stabilisation Board concurrently held the directorship of the Price Agency. The Prime Minister served as President of the Board and a State Minister as the Director General. The Board had a phased staff of 316 which consisted of economic experts from both government and private services.

The organisation of the Board was changed in May 1947. Salient areas of the Board were as follows:

1. It was stipulated that the President of the Economic Stabilisation Board would issue orders directly to the heads of the parties concerned.
2. Basic planning functions for economic administration necessary for economic stabilisation were centralised in the Board.
3. 349 full-time economic experts were appointed to ensure strict implementation of economic controls.
4. Three regional economic stabilisation bureaux were established as subsidiaries of the Board.

In December 1948 were introduced nine principles for the stabilisation of the Japanese economy. In February 1949 President, Mr. Joseph Dodge of the Bank of Detroit took over as an Adviser on Fiscal and Monetary Affairs of the Headquarters of the Allied Forces. On his recommendation retrenchment of government spending

and the series of stabilisation policies known as Dodge-Line, including a well balanced budget, were introduced. As a result of these measures there was deceleration of inflation and economic controls were dismantled with the return to stability and freer economy.

The Korean war provided an unexpected economic boom to the Japanese economy by way of purchase of war materials by UN forces in Japan, but as a result prices accelerated again.

The post-war occupation of Japan by Allied Forces came to an end by September 8, 1951 with the conclusion of a peace treaty. With this, the Economic Stabilisation Board completed its mission, thus ending its existence of about eight years since August 12, 1946. The Economic Stabilisation Board with a large number of government and private economic experts on its staff played a historic role in the economic reconstruction and stabilisation of Japan in the decade following 1945. The Board was able to formulate and coordinate basic economic policies, it compiled and improved important basic statistics which provided the basis for scientific formulation of economic policies. It produced Economic Survey of Japan through which facts were placed before the people seeking their cooperation. The Board also played a central role in formulating and promoting long-range programmes of training of planners. The year 1955, the last year of the decade, was marked by a most desirable pattern of development since the economy expanded at a high tempo of 10.8 per cent, both industrial and farm production exceeded the pre-war level. During the decade 1945-55 real gross national product grew at the rate of 9.2 per cent per annum. As a result of this growth rate, three major policy goals of reconstruction, stability and self-help were accomplished in the first decade itself.

SECOND DECADE: 1955 TO 1964

During this decade, the Japanese economy experienced two unprecedented spells of prosperity. The first expansionary phase started from the summer of 1956 and lasted through May 1957. This expansionary phase is popularly known as the 'jimmu boom', or the biggest prosperity since the reign of first Emperor, Jimmu. It was powered by an upsurge in private investment in plant and equipment. In fiscal year 1956, private investment bulged by 57.6 per cent in nominal terms and 38.7 per cent in real terms over the previous year. The boom triggered off a sustained, vigorous growth in investment and upsurge of technological innovations. As the boom continued there emerged bottlenecks in supply investment in steel, electric power and other sectors. Also, imports sharply expanded

causing balance of payments deficits. For bringing about improvement in the balance of payments, the government adopted deflationary tight monetary policy. As a result there was improvement in balance of payments but also a recession in domestic economy which ended the Jimmu boom.

The post-Jimmu boom recession was called the 'pan-bottom shaped recession' during which business stayed staggered. However, soon the economy was able to shake for the downward pull and there followed a sustained upswing which even exceeded the Jimmu boom in magnitude. It was called the 'Iwato prosperity', or the biggest prosperity experienced since Japanese mythical past, even predating the era of the founding Emperor. Real GNP grew at 11.2 per cent in fiscal 1959, 12.5 per cent in 1960 and 13.5 per cent in fiscal 1961. The exports increased at an annual rate of 15.6 per cent which was double the rate of growth for the world's total exports.

There was also a significant structural change and increasing portions of the farming families were compelled to turn to other sources of income while engaging in agriculture. High economic growth brought with it, an increase in employment opportunities. The principal source for the new labour supply was the pool of unemployment in the agricultural field. Wage levels moved upwards. The demand for durable consumer goods, changes in the dietary pattern and increase in leisure brought a mass consumption society in Japan. The fiscal year 1960 marked 'a consumption revolution'. Following this upswing, consumer prices began to rise and the Japanese economy experienced a medium-term fall in private investment. But there was a new upswing in 1963 with the chief impetus coming from construction investment. The spurt in construction investments was mainly in an attempt to remove bottlenecks in public sector created by the fast expanding private sector. On this was superimposed a spurt in construction projects related to the preparations for the Olympic Games held in October 1964 in Tokyo. The domestic economy reached the peak in October 1964. But in the midst of such development, there were corporate bankruptcies with the demand for consumer durables turning inactive. To encourage the recovery, the national economic bonds were issued marking a new era in the Japanese post-war fiscal policy. This resulted in upturn in business activity.

It was during this period that long-term or medium-term economic plans grew in importance. The Economic Deliberation Board was set up following the completion of the mission of the Economic Stabilisation Board. In contrast to the latter the Economic Deliberation Board was an advisory agency whose basic concern was with the free enterprise system rather than economic controls. The main function

of the Board was to formulate long-range economic programme on the basis of objectives and neutral investigation and analysis of domestic and foreign economic trends. It attempted general coordination of policies related to the economy. It functioned as an authority of the Prime Minister serving as its Director; staff was 399 strong. The law governing the establishment of the Economic Deliberation Board was revised and the Economic Planning Agency was established on July 20, 1955. The Economic Planning Agency's basic task became not only that of formulation of long range economic plans but also promoting them positively.

The Agency prepared five plans during the decade 1955-64. They were: (1) The Five-Year Plan for Economic Self Support (1956-60); (2) The New Long-Range Plan (1958-62); (3) Doubling the National Income Plan; (4) The Medium Economic Plan, and (5) The Comprehensive National Development Plan. Of the five, Doubling Income Plan and Comprehensive National Development Plan had a stronger influence on the economy partly because the two plans were associated closely with the economic policies of the government at that time. The Doubling National Income Plan, conceived as the foremost policy slogan by the Ikeda Cabinet, was adopted officially by the Cabinet in December 1960. The Plan aimed at doubling the Real GNP within ten years requiring economy to grow at an average annual rate of 7.2 per cent. The plan aimed not only at accelerating the rate of economic growth but also development of the social capital and reduction of disparities in the Japanese economic society. The Plan was replaced by three newer plans, before the end of its time frame. However, the targets were well achieved. Real GNP doubled in six years, and per capita Real GNP in seven years from the Plan start in 1960.

The Comprehensive National Development Plan was approved by the Cabinet in October 1962. The National Comprehensive Development Plan aimed at well balanced regional development of local economic communities with emphasis on selected areas like new industrial cities. Importance was given to the administration of water quality and resources which was centralised in the economic planning regions. Concrete regional development policies were applied. There was also emphasis on urban development projects.

Following the doubling National Income Plan came the formulation of Medium Range Economic Plan (1964-68), based on an interim study of the remainder of ten-year period. For preparing this Plan, a medium range macro economic model was used including balances of the overall programme.

During the first half of the 1960s there was liberalisation of trade and foreign exchange transactions. The Japanese import

liberalisation was completed in October 1965.

In order to enable the Economic Planning Agency to play its role of formulating and implementing plans, an attempt was made to improve the system of economic forecasting, economic research and statistics as well as economic analysis. In addition to annual white papers, monthly economic reports were submitted to the Council of Cabinet Ministers in-charge of economic affairs. Business forecasting and capital investment forecasts were made. The foreign research section set up in July 1958 produced the first White Paper of the world economy in 1959. In July 1958 Economic Research Institute was established as an affiliate of the Economic Planning Agency. The Coordinating Bureau of the Economic Planning Agency was in charge of general coordination of economic policies including the policy of liberalisation of foreign investment and exchange. In March 1961 the Overseas Economic Cooperation Fund was established.

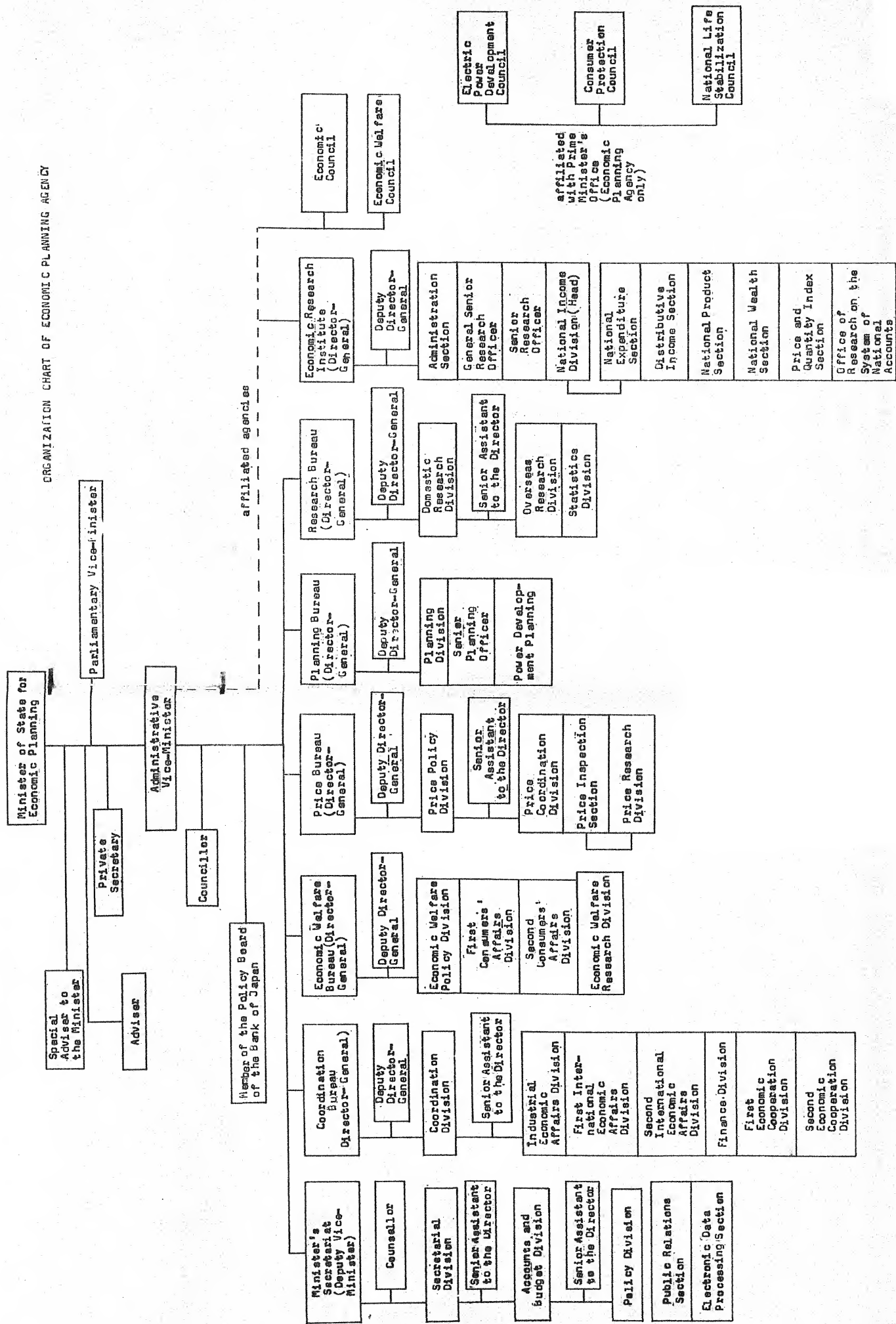
Following the rapid progress in quantitative terms in the economy, attention was increasingly paid to the qualitative improvement of national life. One measure in this direction was the establishment of Consumer Protection Rules. The Economic Welfare Bureau was established as a part of the Economic Plan Agency on July 19, 1965. The Bureau consisted of three sections, namely: (1) Economic Welfare Section, (2) Consumer Administration Section, and (3) Prices Policy Section. The National Life Council was established in order to recommend basic economic policies and programmes designed to stabilise and improve national life.

THIRD DECADE: 1965 TO 1974

Following the 1965 recession the Japanese economy experienced the longest period of business expansion in the annals of its post-war history. There was sustained boom lasting for four years and nine months. It was called 'the long-term prosperity'. The growth rate remained high throughout this period, averaging 11.8 per cent between fiscal years 1965 to 1970. As a result of this unprecedented protracted expansion, Japan became the biggest industrial nation only next to the US in the size of GNP. Full employment became a reality. Supply of consumer goods was plentiful, and high level of income and consumption was attained. Income gap between different sectors of the economy diminished. People found social conveniences at their disposal. Most people thought that they belonged to the middle class.

As a result followed the typical problems of an affluent economy. One was the problem of labour shortage. The other was the pollution problem. The third was relative underdevelopment of social capital

ORGANIZATION CHART OF ECONOMIC PLANNING AGENCY



such as transport giving rise to commuters transportation problems in urban centres, housing problem and insufficient facilities for public sanitation and social welfare. There was also the rise in oligopolistic combinations of private enterprises in contrast to active competition in the past.

The new comprehensive National Development Plan approved by the Cabinet in May 1969 sought solutions to these various growth-induced problems. Emphasis was laid on policies for improving the environment. 1970-71 was a period of turning point for the Japanese economy which had to face major changes in the world economic surroundings including upheavals in the world monetary system, following the suspensions of dollar convertability in August 1979. World-wide food shortage in 1972-73 and the oil crisis in October 1973 shook the Japanese economy to its foundation by a series of shocks.

The 1971 Economic White Paper appealed for reorientation of the Japanese economy to welfare and a shift to a knowledge-intensive type of industrial structure.

1975 AND AFTER

In the wake of the oil crisis, the world's major industrialised countries suffered from the triple ills of abnormal acceleration in inflation, a marked deterioration in the balance of payments and the most severe recession. It was realised that the supply of natural resources was finite and the national economies are interdependent.

Strongly restrictive demand policies dampened the double-digit inflation in 1975. Following this, the Government went ahead with anti-recession policies. However, the tempo of recovery was slow. Nevertheless, in the third post-oil crisis year of 1976, anti-recession measures began to have their effect and the economy began to turn upwards.

In February 1973 the Basic Economic and Social Plan was prepared. However, it became obsolete because of the oil crisis and economic fluctuations. It was, therefore, replaced by the Economic Plan in the second half of 1970s which received approval in May 1976. The new plan called for the application of such external policies as would contribute to harmonious relationship between Japan and the world economy and to reconstruction of a stable world economic system.

The actual GNP growth rate in real terms (5.4 per cent) was somewhat lower than the originally expected, leading to deterioration in the employment situation and accumulation of current surplus. In order to improve the employment situation in 1978, economic policy to achieve domestic demand oriented growth was

introduced. The main instrument of policy was fiscal expansion supported by public bonds. As a result of these policies, the industrial production grew by more than 7 per cent. Capacity utilisation ratio increased and the number of unemployed decreased.

Over the two decades following 1965, number of steps were taken to strengthen the planning agencies. The Coordination Bureau played a major role in guiding economic policies through forecasting work and periodical assessment of the economy. After the oil crisis, the Bureau worked out policy measures for stabilisation and stimulation of the economy and for controlling the hyperinflation in the wake of the oil crisis. Later a series of anti-recession measures were taken. As a result of these measures, Japanese economy had a good recovery in 1976.

The Economic Welfare Bureau of the Planning Agency was responsible for the orientation of plan towards the welfare state. The Bureau was established in 1965 to promote consumer protection measures. The Basic Consumer Protection Law was framed in 1968.

The Economic Welfare Council discussed problems related to living environment. It also took initiative to ensure changes in life's style in response to the need for resources and energy conservation. The social environments surrounding national life are expected to undergo structural changes towards the 21st Century. These structural changes included shortage of natural resources, economical constraints, ageing of the population and the growing number of graduates from higher educational institutions. The National Life Council produced a plan for total vision of national life towards the 21st century. It laid emphasis on basic concepts which would enable Japan to reestablish economic and social welfare policies in accordance with the structural changes.

The Economic Planning Agency established the Price Bureau to tackle the price problem. It made recommendations to the heads of Ministries and agencies on price policies. The Price Bureau was effective in curbing down inflation which followed the oil crisis.

In 1965-74, 4 economic programmes were drawn, namely, Medium Range Economic Plan (January 1965); The Economic and Social Development Programme (march 1967); The New Economic and Social Development Programme (May 1970); and The Basic and Social Programme (February 1973). In May 1976, The Economic Plan for the second half of 1970 was formulated to shift the Japanese economy to a stable growth path. In January 1979, was announced a new economic and social Seven-Year Plan giving three basic directions for economic management--namely: (1) rectification of imbalances amongst economic sector, (2) Promotion of industrial restructuring, and (3) Realisation of a new Japanese type welfare society. Its five objectives

were: (1) attainment of full employment and price stability, (2) stabilisation and enrichment of national life, (3) cooperation in and contribution to the development of the world economic community, (4) ensuring economic security and nurturing bases for economic development, and (5) restoration of public finance and monetary system. This Plan provided guidelines for long-term economic management in the period from 1979 to 1985.

The new plan launched in 1979 aimed at new role of Japan in the world economy. The new medium multi-sectoral model of new economic and social 7-Year Plan prepared in 1979 had 250 structural equations and 1800 identities.

The system of the model was presented in the order of the following blocks:

1. Supply and demand by goods and services.
2. Final demand and constant prices.
3. Price indices and data.
4. Final demand and current prices.
5. Value added.
6. Labour force and employment.
7. Stock and consumption of capital.
8. Correct final demand and value added.
9. Income and outlay account.
10. Capital finance account.
11. Supplementary indicators

CONCLUSIONS

In retrospect, the thirty years after the end of the war were a truly eventful period for the Japanese economy. As it raised itself from the wartime ruins and utter poverty, the Japanese economy showed a high degree of resilience and achieved a miraculous development. Today, the Japanese economy is one of the world's leading industrial powers and has a major role to play in the world economy. The Japanese high economic growth can be attributed to the industriousness of the Japanese people. But the system of planning also made its own contribution. The history of the economic planning agency has been one of the constant efforts to respond to varied changes in the Japanese economy to assure its smooth management. The Agency underwent numerous changes in its area of responsibility and organisation. It constantly improved its functions in overall coordination of policies, economic analysis and forecasting. It has been eminently successful in introducing effective policies and plans which were adequate in dealing with the changing economic situations and at the same time launching Japan on a continuous path

of progress--first, for the reconstruction of the economy, then creating a high mass consumption economy and in more recent years, bringing about balanced regional development, enriching social capital and making an adequate response to the problems of pollution and exhaustion of the finite resources of nature.

Rehearsals for Planning in Nepal

MADHAB PRASAD POUDYAL

EVER SINCE the decade of 1950s Nepal had started her course on development planning. She has passed through six plan periods and the seventh is about to start, for which, the basic principles have already been framed. In spite of all these efforts, the country "is now in a state of crisis, fundamentally rooted in a failure of productive organisation associated with its economic and political underdevelopment."¹ Consequently, the country has been one of the poorest ones in the world and a good majority of people live below the poverty line. The World Bank Report (1979) has already warned Nepal to watch out for survival as follows:

The country is caught in a vicious circle of poverty and difficult as it is to break this circle, the next five to ten years may represent Nepal's last chance to do so without having to become completely dependent upon the goodwill of aid donors.²

Let us, therefore, examine in detail from the genesis of planning onwards as to what is being done in Nepal with regard to planned development to meet this grim warning. This study is based on the already published literature, plan documents and evaluation reports. Some of the ideas in the study have been derived from an interview with a long-time planner conducted for a different purpose.³

GENESIS OF DEVELOPMENT PLANNING

The Rana Period (1935-50)

The idea of planning in Nepal dates back to the reign of the Rana. Prime Minister Juddha Shumsher who, when told about the economic well-being of Britain through industrialisation, decided to launch a programme for development.⁴ For promoting agriculture, industry and commerce, he established an Uddhyog Parishad in 1935, which was followed by creation of other series of industrial institutions, and just before the outbreak of World War II, a Twenty Year Economic Development Plan was prepared. But, because of the outbreak of the war, its implementation was suspended.⁵

The reign of Mohan Shumsher is also equally important for the study of planning during their hereditary regime. One of the major achievements during his period was the continuation of the idea of planned development and his declaration of a long-term plan for fifteen years and a short-term plan of five years. This was followed by the creation of a National Planning Committee. According to Bajrachraya and Agrawal:

in the first draft, plan priorities were laid down and activities to be carried out were signalled in the fields of agriculture, industry, electricity, transportation, forestry, mining, education and health. In industrial sector, emphasis was laid on medium sector industry. In the field of transportation, it was decided to construct East-West High Way and other North-South link roads. To promote industry and better living, exploitation of hydel power of different magnitude was proposed. The most important was the Koshi Power Project, capable of producing 22,000 kw. power.⁶

Pace of these efforts was interrupted by the growing political movements to free the nation from the clutches of the then hereditary rule. The National Planning Committee also disappeared along with the ouster of the Rana regime in 1951. Therefore, "the popular rhetoric that industrialisation in the country took place only after 1961 does not hold much ground."⁷ Same is the case about the genesis behind the idea of a planned development along with its objectives and the priorities fixed by different plans in the later years.

The Post-Rana Period (1951-1956)

In 1951, the new government created a separate ministry for Planning and Development⁸ and also invited a team of Indian experts to advise it on the preparation of an economic plan.⁹ It suggested that "a comprehensive development plan for Nepal could not be attempted satisfactorily at this stage because of the lack of basic data. Therefore, the main emphasis should be on the creation of a sound administrative and financial system, collection of data, and survey of important resources."¹⁰

In October 1955, Nepal was invited to attend the Colombo Plan Consultative Committee meeting in Singapore. Therefore, a draft outline of the first Five-Year Plan had to be hurriedly prepared. Just before a week of that meeting, King Mahendra issued a royal proclamation stating that orders had already been issued for preparation of a Five-Year Plan. Mention was also made about the technicalities of plan preparation and formation of a Planning

Commission.¹¹

In 1956, a more detailed draft was prepared with the assistance of a UN Advisor, Harry B. Price.¹² The whole document was handed over to the government in the same year. Mihalev charges that Tanka Prasad, the then Prime Minister, ignored it and little notice was taken of it until it appeared publicly in 1957.¹³

It was in this background that the First Five-Year Plan of Nepal "was prepared and inaugurated mainly as a response to the Colombo Plan Consultative Group Meeting... The intention of the Government in Nepal was to secure and enhance its external legitimacy through a demonstration of its commitment to economic development as expected of a civilised government..."¹⁴ According to Aron Wildavsky, Nepal "adopted planning by imitation--the Russians did it and the Indians followed them, and the Pakistanis and the Cylonese.... It was political and the part of international image. Also, planning was necessary to interest others in giving aid."¹⁵ But, so far the imitation aspect is concerned, it was not the Russian one. It was framed by non-Russians and was heavily influenced by the western models. It could not be the Russians because in those days, Nepal's leaning towards Russia could have antagonised the potential aid donors. Thus the political implications of western models "were considered more tolerable and also because western aid was more readily available".¹⁶

OBJECTIVES AND ACHIEVEMENTS OF DIFFERENT PLANS

By 1985, Nepal will complete her six development plans and the seventh one will be inaugurated. Let us briefly discuss the major objectives and achievements of different plans.

Five Year Plan 1956-61

The First Five Year Plan of Nepal was implemented from the fiscal year (Nepal's fiscal year generally begins on July 16 and ends on July 15) 1956/57. The main objectives of the Plan were as follows:

1. To raise production and provide employment.
2. To raise the standard of living and general well-being of all the people without any discrimination.
3. To create simplified rules and regulations and necessary public cooperation for the success of the plan.
4. To create economic base for the future plans and collect necessary statistics.¹⁷

The Plan had an outlay of 330 million rupees. Sector-wise allocation is given Table 1.¹⁸

Table 1 SECTORWISE ALLOCATION OF PLAN OUTLAY

Sector	Nepalese Rs. (Million)
Village Development	27.5
Agriculture	12.0
Survey	7.0
Cooperatives	1.0
Land Reform	2.0
Irrigation	20.0
Forest	20.0
Transportation	104.0
Communication	7.5
Electricity	30.0
Industry	19.0
Mining	5.0
Tourism and Commerce	1.0
Rapti Valley Multiple Development Works	14.0
Rehabilitation and Government Housing	12.5
Health	25.0
Education	19.0
Research, Census and Statistics	3.5
Total	330.0

Programme-wise objectives and the achievements during the plan period are given in Table 2.¹⁹

During the plan period, 65 per cent of the financial target was somehow achieved, but the physical target failed to register corresponding progress. In most of the fields, the results were very much disappointing. Except in education, there was a wide gap between the expectations and actual achievements.

Causes behind this implementation gap were numerous. When Nepal started its course on planned development, the planners were in a bewildering situation due to the reason that there was absolutely no dependable information on natural resources of the country; the

Table 2 PROGRAMME WISE OBJECTIVES AND ACHIEVEMENTS

Programme head	Target of the Plan	Achievement
Village development centres	48	55
Seed development centres	18	10
Veterinary development centres	7	4
Dairy development centres	-	5
Cottage industry	-	21
Industrial estates	-	3
Irrigation (acres)	2,75,000	65,200
Electricity (K.W.)	20,000	250
Roads (miles)	900	564
Ropeway (miles)	28	70% work completed
Airport	-	7
Post Offices	100	292
Telephone (lines)	1500	700
Primary Schools	630	2,000
Secondary and high schools	136	165
College	-	15
University	1	1
Hospital beds	423	148
Health centres	54	94
Homoeopathic health centres	43	57
Cooperatives	16	578

country had no favourable locational advantage; development infra-structures were insignificant; the population was unskilled and illiterate; there was no precedence of planning experience wherefrom inferences could be drawn; and political system lacked stability and the administration was inefficient and even corrupt.²⁰ There was also unnecessary delay in the project executions, reluctance to assume responsibility and the lack of coordination. Moreover, "in framing the plan, no specific targets were set beyond collecting together the blueprints of departmental activities along with expenditure estimates."²¹ Therefore, it was not a plan but rather a five-year programme in which different projects were brought together into a booklet form.

In spite of all the above mentioned shortcomings, it was a good beginning in Nepal's economic history. Therefore, Pant rightly observed that it was a good experiment in collective thinking and action for it gave necessary experience and self-confidence to Nepali planners²² for their future course of action.

The 'Model Plan'

On June 26, 1960, Nepali Congress Government (the first elected government of the country) published a draft 'Model' for the formulation of Nepal's Second Five-Year Plan. It was open to comments and criticism from people. On July 6, 1960, Finance and Planning Minister, in his budget speech, announced to Parliament that the plan would be submitted to it within six months.

The model plan aimed at achieving 30 per cent increase in national income during the plan period by investing a total of 1960 million rupees. Economic and social overheads had received high priority. It also aimed to increase the per capita income from Rs. 344 to 407 during the plan period. It had committed for making the agriculture more productive, establishment of few basic industries along with the development of small and cottage industries in urban and rural areas, and employment to 14.25 per cent of population in non-agriculture sector. Besides these increments in national and per capita income, this plan aimed at reducing inequalities, building economic infrastructure, introduction of improved methods in agriculture, and gradual industrialisation. Therefore, according to B.P. Shrestha, the model plan "made an attempt for the first time to define a system of objectives in terms of overall investment, employment and output targets, indicating, at least roughly, a broad strategy of development over a period of time."²³

Unfortunately, the model draft of the Second Five-Year Plan of Nepal could not see the light of the day. The unborn baby, along with its mother, was automatically killed when King Mahendra dismissed the parliamentary form of government on December 15, 1960, and thus, the proposed plan went into the dustbin of the history. Following the royal take over of power, several charges were levelled against the Nepali Congress Government without any compunction. It was charged that the government had no overall planning outlook. For two years, there was a total eclipse in Nepal's economic planning and till 1962 all went without planning.

Three-Year Plan (1962-65)

After the gap of two fiscal years, His Majesty's Government of Nepal announced its second plan as a three-year one which was effective from the fiscal year 1962-63. The plan was more explicit about

its ultimate goals and was "described very much in the terms used in Indian and Pakistani Plans".²⁴ At the very outset, it stated that in the long run, the main objective of a planned development was to establish a progressive welfare state, designed to give expression to economic and social justice. It further stated that for this task, mere expression of production is not sufficient to meet this objective; it is rather necessary to provide for just distribution of this product among the various classes. Existence of extreme inequalities blunted the incentives of the populace, and therefore, unless distribution pattern is altered, social inequalities will remain entrenched.²⁵

The socio-economic objectives fixed by this plan were:

- to increase production to meet the needs of ever-increasing population and to provide the basis for future plan;
- to achieve economic stability;
- to provide additional employment opportunities; and
- to ensure social justice in the distribution of production.²⁶

Besides the above mentioned objectives, the other programmes also occupied the most coveted place during the plan period. These were the land reform programme, establishment of village panchayats and administrative reorganisation.

This plan had set a target of spending 600 million rupees over a period of three years and an additional Rs. 70 million was made available to the private sector. The financial targets and achievements of the plan are presented in Table 3.²⁷

Table 3 FINANCIAL TARGETS AND ACHIEVEMENTS OF THE PLAN

Items	Outlay	Actual expenses
Organisational improvement	79.2	51.8
Transport, communication and power	234.5	230.8
Agriculture, irrigation and forest	81.6	87.3
Industry and tourism	102.0	103.6
Social services	102.7	95.3
Miscellaneous		27.8
Total	600	596.8

The plan estimated Rs. 500 million (84 per cent) of the total expenditure to be financed by the foreign grants and the rest 100 million by the internal savings and bank borrowings. The sources of foreign aid were:²⁸

Country	Amount in million
USA	194.5
India	104.2
P.R.C.	46.2
USSR	87.5
UK	14.0
Others	22.5

Despite the fine objectives and so-called achievements, the plan, according to its critics, "was more modest in scope but still far from execution."²⁹ Since its aim of increasing per capital income was not realised it remained stationary. Its only success was the ability to spend approximately the projected³⁰ amount in an unplanned way. But yet, the authors of the plan claim that it cannot be evaluated in terms of targets since it had stressed on the prerequisites and background for a more comprehensive plan in the future.³¹ In a similar vein observes Y.P. Pant, "the plan did not produce any marked impact on the economic condition of the common people, although its objectives were not limited merely to an increase in production".³² However, the plan period had been witnessed for being successful in establishing the village panchayats, propagating and launching (without any measurable achievement) land reform programme envisaged by the first plan, introducing a revised civil code, setting up a committee for administrative power decentralisation and receiving a politically biased report, and concentrating the powers at the centre through different channels established simultaneously.

Third Plan (1965-70)

This plan was committed for achievement of the objectives and principles of social policy mentioned by the constitution.³³ Like its predecessors, it also had short-term and long-term objectives. It aspired for achieving 19 per cent increase in food production, improvement in agriculture, development of basic infrastructures, industrial development, diversification and increase in foreign trade, and eradication of social injustice.³⁴ Other specific targets of the plan included the construction of 1600 km. of roads, 60,000 Kws power generation capacity, and irrigation facilities for

1,50,000 hectares of land. It had a target of spending Rs. 1,740 million but the actual expenditure during the plan period amounted to Rs. 1,780 million (2 per cent higher than the planned). Sector-wise target and actual expenditure of the plan is shown in Table 4.

Table 4 TARGETS AND THE ACTUAL EXPENDITURES OF THE THIRD PLAN³⁵

(Rs. in Thousand)		
Sector	Target	Actual Expenditure
Transport, communication and power	875,000	873,305
Agriculture and rural development	377,500	397,739
Industry	125,000	86,589
Social services	292,500	239,027
Miscellaneous	70,000	168,205
Unallocated	-	14,200
Total	1,740,000	1,779,065

Financial arrangements for the plan were made by internal (50 per cent) and external (50 per cent) sources. Among the internal sources, 44 per cent expenditure was drawn from regular budget, 2 per cent from borrowing, and 4 per cent from deficit (bank) financing. Out of the 50 per cent foreign aid, 8 per cent was made available in the form of loan and the rest came as grants.

On the whole, during the plan period, construction works remained 40 per cent behind the target, 60 per cent in irrigation and 15 per cent in power generation. Also food grain production lagged 66 per cent behind the target and the performance in the industrial sectors was also equally frustrating. Thus, the plan also suffered the fate of its predecessors.

Fourth Plan (1970-75)

The Fourth Five-Year Plan was launched in July 1970. Its objective were: (1) to maximise outputs, (2) to establish the base for sustained and long-term economic growth (viz. transport, communication, power etc.), (3) to expand and diversify international trade,

(4) to secure accelerated pace of development with maximum economic stability by controlling price level, (5) to make effective use of manpower resources and to control population growth, and (6) to create conditions conducive to the emergence of a society free from exploitation.³⁶ Its specific targets were: 4 per cent increase in real GDP by per annum, raising foodgrain production by 3 per cent and cash crops production by 12 per cent per annum, establishment of two new industrial plants and creation of additional industries, providing irrigation facilities for 161,600 hectares of land, construction of 1830 kms. of roads, 27 suspension bridges and producing 40,300 kws. of electricity.³⁷ To achieve the above mentioned objectives, the plan committed for paying attention to mobilisation of internal resources, concentration of limited resources in those areas which were capable of increasing maximum production, incentives for investment in private sector and it also mentioned creation of the growth centres for selected regions.³⁸

The Plan proposed for spending Rs. 2,570 million in the public sector and other 120 and 870 million in panchayat and private sector, respectively.³⁹ Allocation of expenditure in the public sector is given below:⁴⁰

Items	Outlay (Nepalese Rs. in thousand)
Transport and communication	10,50,000
Ariculture, land reform, irrigation, forestry and botany	6,62,800
Industry, commerce and electricity	4,70,000
Panchayat, education, health and other social services	3,72,500
Miscellaneous	14,700
Total	25,70,000

During the execution, expenditure within four years already amounted to Rs. 24,01,818 (72.73 per cent). Therefore the Planning Commission anticipated that the expenditures could be more than the earlier outlay.⁴¹

On the whole, the Fourth Plan also turned out to be as unsuccessful as the earlier ones. Its results were frustrating, because the GDP growth rate remained around 2 per cent per annum, foodgrain production increased by only 1.8 per cent and the cash crop output by 3.9 per cent per annum which was obviously lower than the targets. Industrial targets too, remained largely unfulfilled and

only 43 per cent of road construction, 50 per cent electricity and 30 per cent irrigation targets were achieved.⁴²

Scholars poured massive comments on this plan. In this context, Pashupati Shumsher J.B. Rana opined that the actionable parts of the plan were not distinguishable because it had a number of contradictions. He was sure that the plan would ultimately turn into a childish game or a day dreaming. Because, the plan had set such minor objectives in a vague tone that claims for achievements could easily be made on any point and at any time. Therefore, he levelled this plan as "a drama without hero" because it had no clear objectives.⁴³ However, this plan was successful enough for popularising the phrases of the importance of spatial dimensions of development in a geographically disadvantaged country. This period is marked by the establishment of four development regions each covering the Himalayan peaks to the lands of Tarai (plain) in each of them.⁴⁴

Fifth Plan (1975-80)

The Fifth Five-Year Plan of Nepal was initiated in July 1975 which, without any hesitance, accepted the failures of its predecessors in improving economic conditions in the past simply because of their preoccupation with long-term objectives and capital intensive projects. Side by side, it also realised the past development experiments were the cause and consequence of geographic imbalances. Thus, this plan successfully rationalised its policy shifts on paper. The main objectives of the plan were:

- to make an increment in public utility services and production pattern;
- to make maximum utilisation of human resources; and
- to achieve regional balance and integration.⁴⁵

For the achievement of these objectives, the plan adopted the policy of -

- mobilising internal resources;
- change in investment and production pattern;
- emphasis on the labour-intensive techniques, economic stability and a good industrial policy;
- trade diversification and expansions;
- setting the land ownership pattern; and
- mobilisation of all the Panchayati followers for local development.⁴⁶

This plan had target of spending Rs. 6170 million under the minimum plan and Rs. 7545 under the maximum plan.⁴⁷ Forty Five per cent of the total expenditure was financed by foreign loans and grants. Financial outlay and actual expenditure of the plan is shown in Table 5.

Table 5 FINANCIAL OUTLAY AND ACTUAL EXPENDITURE
DURING THE FIFTH PLAN

Sector	(Nepalese Rs. in million)		
	Expected outlay (in 1974-75 constant price,		Actual expenditure (Rs. in current price)
	Minimum	Maximum	
Agriculture, irrigation and forest	1839.7	2278.7	2349.7
Industry, mines and power	1380.7	1506.0	1679.2
Transport and communication	1432.8	1990.3	2380.6
Social services	1516.8	1770.0	2461.1
Total	6170	7545	8870.6

The specific targets of the plan were an increase in GDP by 5 per cent annually; establishment of a cement, cotton textile, bricks and tile, leather and shoe factories; construction of 1590 kms. of roads; additional irrigation facilities for 146,000 hectares of land; generation of 59,000 kws. additional electricity.

It was a usual phenomenon of the plan to remain behind the target. The GDP growth rate was 25 per cent annual, foodgrain production declined in absolute term, industrial targets lagged behind, road construction was achieved by 75 per cent, irrigation by 41 per cent, and the electricity only by 21 per cent. The Sixth Plan admitted frankly that obviously the expenditure has been more (126.8 per cent of the minimum outlay and 103.7 per cent of the maximum outlay) than the initial outlay; even though, the GDP lagged far behind. Reasons behind this were the unfavourable monsoon, political chaos and strikes in the public sector corporations, faulty statistical information, lack of administrative capability etc.⁴⁸

Sixth Plan 1980-85

The year 1979-80 witnessed political chaos in the country and the so-called alternativeness polity had to face with its alternatives during the referendum which King Birendra had announced on May 24, 1979. Therefore, there was some delay in plan preparation. A draft was, however, prepared for the internal use of the Planning Commission. The final shape of the plan appeared to the people only in July 1981.

This plan has spelled out the following objectives:

1. To increase production at faster rate.
2. To increase productive employment opportunities.
3. To meet minimum basic needs of the people such as food, firewood, drinking water, basic health services and sanitation, primary, vocational and adult education, and minimum transport facilities.⁴⁹

To achieve the above mentioned objectives, the plan was committed for

- giving priority to agriculture sector;
- an emphasis on the development of cottage and small-scale industries;
- an emphasis on the development of export business and tourism;
- an emphasis on the preservation of natural resources and development of water resources;
- an emphasis on the completion of already initiated infrastructures;
- strengthening economy by decentralising the economic decision-making authority; and
- developing productive institutional infrastructures, making development administration capable and stable, developing trained manpower and increasing the supply of construction materials, and population control.⁵⁰

This plan aims at raising the GDP by 4.3 per cent per annum during the plan period and the overall outlay required is estimated at Rs. 33.94 billion of which Rs. 20.49 billion is allocated for the public sector to be borne by foreign aid and the rest 13.45 billion allocated for panchayat and private sector to be funded by the domestic resources. Sectorwise outlay of the expenditure are shown in Table 6.⁵¹

Table 6 SECTORWISE OUTLAY OF THE SIXTH PLAN

(Nepalese Rs. in billion)

Sectors	Government	Panchayat	Private	Total	Percentage
Agriculture, irrigation and forestry	626	49	382	1057	31.1
Industry, mining and power	528	3	350	881	26.0
Transport and communication	423	54	110	587	17.3
Social Services. ⁵²	472	74	323	869	25.6
Total	2049	180	1165	3394	100

It is too early to offer final comments on the Sixth Plan which is still in its fourth year of operation. However, on the basis of information furnished by National Planning Commission on its *Basic Principles of Seventh Plan 1985-90* some trends of the ongoing plan can be anticipated.⁵³

According to the basic principles, during the first three years of its implementation average annual growth rate of GDP remained 3.5 per cent against the aim of 4.3 per cent. Unfavourable trends appeared in the fiscal, monetary, price, foreign trade and balance of payments fronts. Deficit financing was excessive in record. Achievements in power and irrigation were low, road projects failed to keep up a satisfactory rate of progress and the achievements in the minimum basic needs, too, remained far behind the goals set by the plan. The only exceptions were in the areas of education and communication. The targets achieved during the three years of plan implementation were 24 per cent in irrigation, 10 per cent in road construction, and 12 per cent in telephone lines. By 1981, literacy rate was recorded 23.3 per cent of the total population which, according to 1971 census, was just 13.9 per cent. Potable water facility also jumped from 10.6 per cent to 13.2 per cent of the total population.⁵⁴

Therefore, it has been officially admitted that "execution of the plan has failed to proceed at the prescribed rate and, . . . no dynamism has been introduced in the development of the economy. Agriculture sector... continues to lean heavily on the whims of the

weather gods. Solid achievements in the attempt at enhancing agricultural production and productivity have yet to be translated into reality. Forest land . . . is shrinking. Mountain erosion and landslide are undermining the base of hill economy... Sharp rise in population is compounding the already complex economic problems".⁵⁵

Basic Principles of the Seventh Plan 1985-90

The Seventh Five-Year Plan will be started by the fiscal year 1985-86. The basic principles of the forthcoming plan viewed the background of the plan against the weaknesses of its predecessors. The main purpose of the plan will be:

1. to narrow down the gulf between the planning and implementation, between the word and the deed, and to help forward to carry out what has been laid down and translate the vision into reality;
2. to focus the entire attention and endeavour of the nation on the tasks of increasing production and employment opportunities, and fulfilling the minimum basic needs of the common man as laid down so clearly in the Sixth Plan;
3. to build up the productive capability of the economy on the basis of the development of land and water resources, which form the physical endowments of the nation;
4. to devote proper attention in conserving and expanding the natural wealth; and
5. to take steps to tackle the population problem.⁵⁶

According to the basic principles, the objectives of the Seventh Plan will be:

1. to increase production at a higher rate,
2. to increase opportunities for productive employment, and
3. to fulfil the minimum basic needs of the people.⁵⁷

Strategies to be adopted by the plan are basically to accord overall priority to the development of agriculture sector; to put stress on the development of forest wealth and conservation of land; development of water resources, industries and promotion of export trade; to emphasise tourism and curb the population growth rate; to consolidate the foundation of national economic integration; to decentralise economic management and invest the economy with greater capability and competence through the delegation of powers to the local panchayats, government-owned corporations and the private

sector; and finally, to strengthen and consolidate development administration.⁵⁸

The basic principles also mention that the working policies of the plan will be to give stress on development administration, management of government-owned corporations, decentralisation along with the provision for imparting integrated form of district plan and guidelines for drawing up local plans, provisions relating to the economic activities of the private sectors and also for the follow-up and review of development projects.⁵⁹

It has been estimated that a sum of Rs. 54,110 million will be spent for development expenditure for whole plan period (at the constant prices of 1984-85). This is shown in Table 7.⁶⁰

Table 7 ESTIMATED DEVELOPMENT EXPENDITURE OF THE SEVENTH PLAN
(at the constant price of 1984-85)

(Rs. in million)					
Sectors	Public	Private	Panchayat	Total	Percentage
Agriculture, forest and irrigation	9340	7380	550	17270	31.9
Industry, mining and power	7860	4270	30	12160	22.5
Transport and communication	5690	2020	600	8310	15.4
Social services ⁶¹	7260	8290	820	16370	30.2
Total	30150	21960	2000	54110	100

In the final preparation of the plan, the whole amount is subject to change. It does not look nice to name the baby in pregnancy and therefore, comments are avoided.

ORGANISATIONAL ARRANGEMENTS FOR PLANNING

The Past Endeavours

As mentioned earlier, the National Planning Committee was set up by the last Rana Prime Minister Mohan Shumsher on October 31, 1949, to prepare a fifteen-year development plan for Nepal. Along with the ouster of the Rana regime in 1951 this committee was automati-

cally dissolved and the new government created a separate Ministry for Planning and Development. Meanwhile, it was also announced that a Planning Sub-Committee would be constituted to advise the government.⁶²

In 1955, just before a week of the Colombo Plan Consultative Committee Meeting in Singapore, King Mahendra announced for a Five-Year Plan and stated that a Planning Committee would be created from among the members of government sector and a Planning Commission would also be established incorporating the members from both--government and non-government sectors. The proposed commission seemed more powerful because it was supposed to possess the ultimate authority for revisions and sanction of the plans and programmes coming from different departments and the Planning Committee mentioned above.⁶³

In January 1957, King Mahendra established a Planning Commission with a total strength of 25 members from different sectors--the political parties, intellectuals, businessmen, government Secretaries, and the Minister for Planning and Development.

In July 1957, the King created another Council for the Five-Year Plan having special privileges. It was chaired by the Prime Minister and the Minister for Planning and Development functioned as the Vice-Chairman. All the Secretaries of the operating ministries, the Planning Secretary, and representatives of various aid missions were the members of the Council. Being too huge in size, it could not function well and was dissolved before a year.⁶⁴

In the first week of February 1958, the King constituted another powerful Planning Commission, called Yojana Mandal under the chairmanship of His Royal Highness the Second Prince Himalaya Bir Bikram. Kiran Shumsher worked as the Vice-Chairman and Kul Nath Lohani was the Secretary to the Commission. The other members included were Bhim Bahadur Pandey and Janak Raj Shrestha. The Commission had other 20 committees within it.⁶⁵

After the advent of the first elected government in Nepal the Commission found it more difficult in functioning and thus, with the consent of the council of ministers, the Commission was dissolved by the King on May 27, 1959.⁶⁶

On July 13, 1959, a Planning Board was established under the chairmanship of Deputy Prime Minister (who was also the Minister of Finance and Planning) with four full-time members. It, however, started functioning only after October 1959. During its short life span, the board was engaged with the review of the functioning of the First Five-Year Plan. Even though, it was able to bring out a 'model' draft of the Second Five-Year Plan. With the end of parliamentary system of government in December 15, 1960, the board was

also dissolved.

Consequently, in February 1961, the King framed another highly powered National Planning Council under his own chairmanship. The Planning Minister served as the Vice-chairman. The council was also supported by the other six full-time members. In this way, with the support of the King, planning in Nepal entered into a golden era. But the situation was not continued for a long. The King found himself very difficult to involve himself in numerous petty decisions for what he needed then was not economic planning but rather, some popular terms and phrases for further legitimisation of his recent action. Therefore, he left its leadership in April 1963. As an outgoing leader of an organisation, he never lagged behind in justifying the rationale during the period. He stated, "within two years of its formation, the planning council made a study of the defects inherent in the First Five-Year Plan, undertook an assessment of the difficulties cropping up in the implementation of it and framed the Three-Year Plan . . ."⁶⁷

Thus a new Planning Council was created under the chairmanship of the Chairman of the Council of Ministers and the Minister of Planning remained as the Vice-Chairman and the other operating ministers as the members. Prior to its dissolution, this council prepared the Third Plan and enjoyed its inaugural ceremony.

Dissolution of the National Planning Council in 1968 was followed by the creation of a new National Planning Commission under the chairmanship of the Prime Minister.⁶⁸ It had its own secretariat and four full-time members. However, the Commission remained merely as an advisory body and had no control over the purse and the programmes initiated by the Ministry of Finance and other power centres.

The Present Position

Under the present arrangements for planning, the National Development Council is largely responsible for the overall plan policies. Hence, it provides the policy guidelines to the National Planning Commission. Under the basic guidelines of the NDC, the NPC prepares the plan and it is also largely responsible for the plan implementation, evaluation, researches, resource planning, regional policy, etc. For the basic support to the NPC, planning cells are established in all operating ministries and agencies which prepare a detailed plan of their respective units and make liaison between the Planning Commission and the Ministry of Finance. In this way, the plans prepared by the planning cells are gathered by the NPC to give the final shape.

Since the 1970s, some new changes are noticed in the organisational structures for planning in Nepal. New agencies were also set up outside the regular channel of public bureaucracy and within the bureaucracy itself some additions were made for facilitating the process of planning. Composition and functions of the existing structures for planning are discussed briefly in the following paragraphs.

The National Development Council

Addressing the countrymen on the occasion of new year's day on April 13, 1972, King Birendra decided to institute a National Council for Development to quicken the pace of development and strengthen the organisation of the planning mission.⁶⁹ The Council was finally set up in June 1972 under the chairmanship of the King himself. The other members of the Council were all the ministers of the Council of Ministers, Chairman of the standing committee of Raj Sabha (Council of State), three to five members from among the ex-prime ministers, all the committee chair-persons of different committees of National Panchayat, members of the planning commission, fourteen district Panchayat presidents nominated by the King, Chairman of the Nepal Federation of the Industries and Commerce, and other three to five nominees of the King. Later in 1976, the Council was reorganised and the Chairman of Rashtriya Panchayat, Back to the Village National Campaign, the Vice-Chancellor of Tribhuvan University, and a total of 25 District Panchayat Chairmen were incorporated under the new arrangement.⁷⁰

It is virtually an advisory body to the King on the matters of development. It enjoys its reputation as the highest body for providing policy guidelines on development and periodic review and evaluation of progress of different development programmes. Different task forces are also organised within the Council to review progress of ongoing projects, solve the obstacles and look after the charges of negligence, and finally, submit their report with recommendation for reward and punishment. The Council normally meets once a year. Till now it has already met 11 times since its inception.⁷¹

National Planning Commission

After the 1972 reorganisation of the present National Planning Commission, it has been officially stated that the Commission will ultimately be responsible for the preparation of the periodic plans and annual development programmes. Chaired by the Prime Minister the Commission has full-time Vice-Chairman and regular member. The Vice-Chairman is the administrative head of the Commission and the

other full-time members look after the desk of plan formulation, resources, and evaluation and regional policy. Finance Secretary and the Chief Secretary of the HMG are the ex-officio members of the Commission. The member-secretary of the commission performs administrative business and the coordinating jobs. Provision has recently been made to appoint four full-time co-members from among the secretary level employees of the government.

There are four divisions and sixteen sections within the Commission. The divisions include Inter-Regional Coordination Division, Plan Implementation and Administrative Division, Resource Planning Division, and Evaluation and Economic Research Division. Beside this, it also has a separate Central Bureau of Statistics. Altogether 171 personnel are associated with the Commission.⁷² Except these regular employees, all the members, co-members and the Vice-Chairman of the Commission continue their tenure at the pleasure of the King.

Subject to the guidance and directives of the National Development Council, main functions of the National Planning Commission are plan formulation, plan implementation and evaluation, and researches, resource planning and regional policy formulation.

In the area of plan formulation, the Commission has to: (i) make recommendation to HMG on socio-economic development policy; (ii) formulate long-term objectives of national development and on their basis, prepare periodic plans specifying priority; (iii) formulate annual plans within the framework of periodic plans and recommend the HMG for implementation; (iv) issue directives to the ministries, departments, and public corporations regarding preparation of various plans mentioned above; (v) provide technical assistance to the planning cells of different ministries for sectoral planning; and (vi) collect necessary statistics and carry on researches required for national planning.

In the area of plan implementation and evaluation, the Commission has to: (i) continuously supervise implementation of development projects, for compliance with approved budget and assist in overcoming the difficulties encountered during implementation; (ii) evaluate the progress in implementation in terms of physical and other targets in every six months and make report with recommendation for greater efficiency or changes in the programmes and policies; (iii) organise and conduct seminars and conferences for the officials working in the planning cells of various agencies; (iv) publish data and information on various aspects of national plans, to keep the participants and the public informed and vigilant.

For planning the resources, it has to: (i) make an annual estimation of external and internal resources and suggest ways and means to increase them; (ii) estimate necessary development and construction materials; and (iii) assess the manpower requirements of the plans.

Finally, in the area of regional planning, the commission has to formulate regional development policy on the basis of feasibility and capability.⁷³

On the regional level, the NPC has its own offices in each and every development region which perform the function of formulating regional development plans and its supervision and evaluation.

Ministries and the Planning Cells

Below Planning Commission, there are different agencies such as ministries and government-owned corporations which prepare a detailed outline of their development plans, projects and programmes. After 1972, with a view to facilitating planning and budgeting functions of the agencies and providing a liaison point among the Planning Commission, the Ministry of Finance and other operating ministries, planning cells were established in all operational units.

It was, thus, hoped that a strong and capable planning and budgetary systems would develop within the ministry which ultimately enhance the lost effectiveness in planning and budgeting over the past years. Therefore, the desired functions of the planning cells are:

1. preparation of plans and consolidation of studies and plans prepared by departmental units;
2. provide assistance, supervision and coordination to the works performed by the departmental units;
3. evaluation of the ongoing projects and preparation of the semi-annual progress reports to be submitted by the ministries to the Planning Commission; and
4. to forward the recommendation for departmental punishment to the personnel in case of their negligence, etc.⁷⁴

Ministry of Finance

Though this ministry does not come under any formal organisations responsible for planning and its implementation in Nepal, it is occupying the backbone of the plans and programmes. It is virtually one of the most powerful organisation in the course of planning and implementation in Nepal. Besides its regular functions, such as formulation of national fiscal policies, preparation of both regular

and development budget, it also controls foreign resources and affects the whole process of planning in Nepal through different fiscal measures. Principally, priorities and the allocation of different heads are jointly prepared by the NPC and the Ministry of Finance, however in practice, the latter enjoys a substantial power to determine the scope and nature of annual development programmes. The programme and foreign aid division of the ministry virtually controls the whole component of the plans financed by the foreign loans and aids. The official claims of a sound coordination between these planning and financing agencies in Nepal exist in gazettes but not in action.

Other Influential Agencies Outside the Formal Structures for Planning

Besides the NDC, the NPC and the Planning Cells under different ministries, there are other two important agencies--the Royal Palace Secretariat⁷⁵ and the Janch Bujh Kendra (Research and Inquiry Centre) at the Royal Palace which play a crucial role in planning and decision-making process at the highest level of the country. Rationale for the reasons of these extra-formal agencies coming to intervene planning in Nepal are discussed below.

The Royal Palace Secretariat

After 1951, the Royal Palace Secretariat in Nepal "has become the nerve-centre of administration and political structure..., even though its dominant policy and decision-making role is not defined via the law or within the constitution of the country . . . The Palace Secretariat today functions not only as a relay-station between the King and Government, but also as a decision-making component, frequently using the central government's secretariat as an instrument for the implementation of decisions."⁷⁶ Though the institution was in operation since 1951, it was elaborated and established well in the present form by late King Mahendra after 1955. During his reign, the Secretariat had been often called upon to bear the burden of a full-scale administrative responsibility. The shift to palace secretariat was necessitated by his direct rules after 1960 take-over. As a power bearer, sometimes, it had to bear the criticisms for superseding government secretariats and creating dyarchy in country's administration.⁷⁷ Though the present King has not ruled directly without the cabinet, says Malhotra, "this does not, however, preclude the continuation of the Role of Royal Palace secretaries as His Majesty's close mentor and advisors in the matters of policy analysis and development at the highest level."⁷⁸

Inquiry and Investigation Centre

The Janch Bujh Kendra (Inquiry and Investigation Centre), established in January 1971 by the late King Mahendra, was originally conceived as an ombudsman office like that of Scandinavian countries. It was under the direct supervision of the Crown Prince Birendra (the present King). Initially, it had an investigating wing and used to look into the complaints against the senior officials. Afterwards, it also established a research wing to conduct studies on various aspects of national development policy and administration. In this way, it soon turned into a 'Think Tank' for policy formulation and analysis, administrative reforms, sectoral plans, etc., and thus worked as a planning and evaluation unit of the Royal Palace.⁷⁹

The Kendra is staffed by high level officials drawn from civil service and outside the government for a temporary period. It possesses legal authority to ask for files and information from any government office or public corporations. Though it is only a recommendatory body and reports directly to the King, royal legacy to its proposed plans and programmes in the past indicated that it not only functioned as a research wing of the palace but also manifested as one of the most powerful agencies which can influence the whole process of planning in Nepal.

Among the studies conducted by the Kendra, the New Education Plan, New Promotion Rules, Public Service Commission Reorganisation Plan, National Planning Commission Reorganisation Plan, District Administration Plan, Plan for Communication Development, Regional Development Strategy, Industrial Policy, etc., were all implemented by the government.

PROBLEMS OF PLANNING

Development plans of Nepal, from its formulation to implementation stage, heavily suffer a host of anticipated and unanticipated problems. Vagueness in plan objectives has always been a major characteristics of Nepal's planning. Moreover, planned targets are not met and same is the case of expenditures too. Among the numerous reasons behind the defective planning and the failures of different plans, some of the major ones are briefly discussed here.

Defective Organisational Arrangement

The organisational arrangements made for formulating and implementing the plan are defective by the very nature of their composition and operational procedures. The National Development Council is a composition of different interests which is too large to be

effective and can do nothing more than formalising the proposals coming from above or elsewhere. It is a rest house for the retired politicians, a transit station for the government servants seeking placement elsewhere or promotion to the higher echelon, and to the District Panchayat Chairmen, it is a national level forum from where they can freely and loudly voice the petty problems of their respective constituencies which ultimately facilitates them to canvass for the next election. To other nominees, it is a matter of prestige. The Council has to largely depend upon the materials and information supplied by bureaucracy through the National Planning Commission. Experiences of the past eleven meetings indicated vividly that its gathering was more ceremonial and just passed through the directives issued by the King.

The National Planning Commission is also a powerless agency in the real sense. It is an agency having the sole responsibility for planning and implementation without no real authority and control over the expenditures. Control over the foreign aid, budgeting and programming are taken out from it. Even for the implementation and evaluation of different plans and programmes, it has to largely depend on the mercy of bureaucracy. Also, it has been a pitiable victim of numerous things such as frequent changes in its organisational structure, lack of inter-section cooperation and coordination within the organisation, lack of efficient manpower, and the ineffectiveness of regional units.⁸⁰ Coordination between the Planning Commission and the operating ministries is always lacking. This had deviated the development process from the original plan objectives. There is an acute problem of understanding between the Commission and the Finance Ministry. Their relationship always remained hostile to each other. Buck-passing between them is a usual phenomenon in Nepal. At present, the Planning Commission is most ineffective because it merely possesses the programme without any control over the purse or the resource. Moreover, no body listens to it.

The Planning Cells, established to formulate, evaluate and monitor the planning functions in ministries and departments and provide a liaison among the ministry, the Planning Commission and the Ministry of Finance are most neglected ones. They are not properly organised, are poorly staffed, structurally wrong placed, and left powerless.⁸¹ A recent study on the planning cells revealed that the experience has been discouraging. They are not performing their plan formulation, evaluation and monitoring functions. Planning and budgeting is still continuing as a ritual exercise rather than a purposive one. The cells are confronted with different problems with regard to their information supply, planning and

coordination function. Internally, the cells have the personnel problems such as the lack of their future career, adequate orientation to them, and unsatisfactory work caused by the existing psychological situation. Among the external factors affecting the performance of the cells are the decline in planning discipline within the country and the loosely formulated plans.⁸²

A look into the composition of the National Planning Commission from the very beginning reveals that there has been a continuous predomination of the economists and the geographers. Too much emphasis of the plan on economic infrastructure alone in the past and the present slogans for spatial development were largely related to the very pattern of composition. The plans, thus, lacked to give attention to institutional, political, and cultural obstacles to change or development. Even today, a good majority of economists and the geographers are largely associated in other influence areas of the Planning Commission. But, experts dealing with the socio-cultural and institutional dimensions of development process are still disregarded.

Elite Penetration in National Economy

Penetration of elites in national economic life and their intervention in the process of planning in Nepal is vividly seen but is an untold story in a large scale. Throughout the whole decade of planned development, they are successful enough to penetrate and manipulate the implementation largely at their own benefit. They are now centred around "the extra constitutional power centres"⁸³ of the country which are controlling the socio-economic and political development in disguise. From government offices to Royal Palace, the business, political, geographic and other patrimonial elites have not left any circle untouched.⁸⁴ They were the central actors in Nepal's drama of development in the past 30 years and therefore an anonymous scholar interestingly paraphrased the beautiful lines of Abraham Lincoln and said, "development efforts of Nepal during this period look somewhat like an activity of the elites, by the elites and for the elites."⁸⁵ Planning in Nepal also merely protected the interests of the elites in the pretext of planning for the people. Their penetration has been recognised as one of the most difficult obstacles to planning and its implementation.

Lack of Political Commitments

Success of planning everywhere largely depends on the development of strong and committed leaderships at all levels of national political life. This is possible only when the polity is based on a good theory. If there is the circulation and authority to a bad

theory, it tries to mould the society in its own image. It does not allow a committed leadership to emerge, developmental will and actions to flourish and a strong moral fibre to develop.⁸⁶

One of the main reasons for the failure of planning in Nepal is due to the lack of political commitment to planning. The existing political system of Nepal, by its very nature does not bother about the success and failure of the plan. It is busy only with its own preservation along with the partylessness. It is also observed that "undue intrusion of politics into the planning process, which has constantly forced the planners to establish goals quite unrelated to the available resources and investment priority."⁸⁷

Excessive Centralisation

Excessive "centralisation of planning activities and spending powers at the central government level"⁸⁸ has also been another reason for the failure of planning in Nepal. Plan formulation is influenced by the growing involvement of Royal Palace through the Janch Bujh Kendra which prepares a detailed planning operation. Decentralisation programme occupied a most coveted place in the Third Plan but it was never implemented. Its frequent recitals are noticed from time to time in the policy directions of the King and in 1981 an act has also been made without any compunction. But yet, it is far from being implemented. Under the present political arrangements real decentralisation seems to be an utopia. Therefore, it has always remained as a "tusk of an elephant rather than the real tooth" or a showpiece.

Defective Implementation and Evaluation

Gabriel U. Iglesias has rightly observed that "the failure of most development plans in developing countries could be attributed either to deficiencies in the planning process or to obstacles encountered during the plan implementation."⁸⁹ In Nepal too, implementation and evaluation of the previous and ongoing plans was and is defective which is also supported by the existing socio-economic and political settings of the country. Defective implementation and evaluation process have deviated the development process from original objectives. Implementation in Nepal is hampered due to the lack of coordination, efficient manpower, and conducive environment as well as by the defective planning and information system. Moreover, there is no relationship between the annual expenditure and the plan. This is bound to be because, the Planning Commission is not formally consulted while preparing the annual budgets.⁹⁰ Equally responsible for the problems of achieving desired results is the defective means and techniques adopted by the present machinery.

The technique adopted for progress evaluation of the plan is known as the 'Review Room Technique' which is one of the defective ones. Under this system, expression of progress is presented in charts, maps and the diagrams in terms of percentages rather than the actual achievements. For example, achievements of a road construction project are often broken down in items such as earth-work, graveling, black-topping, etc., rather than showing them in terms of miles and the kilometers.⁹¹ This gives an observer a false impression, creates difficulty in making estimates, and the appraisals to the project itself. Lack of a separate mechanism for review and evaluation also created such a situation. Therefore the formal organisational set-ups created for planning and implementation has to heavily depend on the information supplied by the operating agencies which is a fantastic phenomenon in the context of developing countries.

Lack of Administrative Capability

Implementation of the plans and programmes is sometimes beyond the control of the implementors such as the political system, the electoral process, the latent intention of the rulers, and the relations between the executive and the legislative process, national economic system and the conditions and the policies of the outside donors. It, however, does not mean that they have no influence at all. The internal factors that affect the implementation at a large scale are the organisational structures, location of the governmental system, nature and range of authority-responsibility relationship or the range of the freedom accorded to the implementors, clientele's, and implementors, participation in planning, managerial capability, technical expertise, etc.⁹²

Unfortunately, the framers of the Nepalese plans gave the lip-service to the above mentioned ingredients or the items which was within their own control. Therefore, all the people in Nepal at present, express their off-hand statement that public management is always responsible for the whole failure of planning. Of course, this sector has certain role in the rehearsals for the process of planning. Their location and in-built inheritance is the main cause for being themselves scapegoats for the vague and poor proposals, inabilities in the allocation and absorption of the resources, ineffective implementation and after all, the poor formulation. From the very beginning of the plan, mention was made about the importance of administrative capacity in materialising the planned objectives. Improvements in this regard lagged more than any other things. In the pretext of improving administrative capability, in-service training (within the country and abroad) to a sizable number

of employees as rewards and some structural rearrangements caused largely as a result of unstable governmental structures, personality conflict between some major individuals within the bureaucracy⁹³ and the political intentions to accommodate the die-hard supporters of the Panchayat system. These efforts had no tangible improvements in performance. As a result, throughout the whole plan period, there were poor information, poor proposals, poor evaluation and after all the poor execution of the plan caused partly by the internal weaknesses and largely by the political process and the socio-economic settings of the country.

CONCLUSION

Logical conclusion drawn from this study is that Nepal is a country of unique paradoxes. It is perhaps the best place in the world to observe the full-fledged application of 'soft-state'⁹⁴ syndrome which was propounded by Gunnar Myrdal a long time back. Therefore, planning in this country has nothing to do with other operational aspects of the economy. The planning documents are easily available for public consumption but the pace of development is going on in a most unplanned and haphazard way. The above study also justified that though the genesis behind the idea of planning was as old as the Rana regime, the first inaugural ceremony of the plan was caused largely by compulsion, it was a politics as well as the fashion. Almost all plans of the country were the pitiable victims of the political process that took place in the past and same is the fate of the present plan too. The central planning organisation of the country passed through many vicissitudes and has undergone many structural changes caused largely by the political instability, personality conflicts between the major individuals, and latent intention of the political system. Consequently, throughout the whole period, planning in Nepal has undergone in a 'vicious circle of defects'--defective planning, defective organisation, defective implementation and defective feedback. Implementation gap was, thus, bound to be. Moreover, to the observers, it gives an impression that the whole effort of the past was not the plans in the real sense of the term. Because, plans, if not implemented, are not the plans; rather, they are the imaginations assembled in a volume in black and white. Nepal also had its own imaginations for development which were so nicely kept in documents called Five-Year or Three-Year Plans. In this regard, six unsuccessful rehearsals were made in the past 28 years for a drama of development within the country. This was obviously an outcome of the pattern of polity existing in that country.

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3. However, for interpretation of the facts and figures the author is solely responsible.
4. He sent Bijaya Shumsher and Gunj Man Shing to Britain on observation tour. He was very much impressed by their report and on their advice he decided to launch different activities. Along with the establishment of industrial board, other offices created were the agriculture board, bureau of mines, department of forest, department of cottage industry, Nepal Bank Limited, etc.
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18. Ibid., pp. 14-15.
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26. Ibid., pp. 4-5.
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28. Ibid., p. 175.
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30. Bhesh Bahadur Thapa, "Planning for Development in Nepal: A Perspective for 1965-1970" (Doctoral Dissertation), Claremont Graduate School and University Centre, pp. 18-21 quoted by Wildavsky, op. cit., p. 509.
31. Ibid.
32. Y.P. Pant, "Planning and Development in Nepal", in Pashupati Shumsher J.B. Rana and Kamal Prakash Mallia (eds.), *Nepal in Perspective*, Kathmandu, Centre for Economic Development and Administration, 1973, p. 172.
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Development Planning in Singapore

DAVID L SCHULZE

WHILE GOVERNMENT has been a crucial factor in the economic development of Singapore, formal development planning has played a limited role.

DEVELOPMENT HISTORY

Singapore was founded as a British colony in 1819 and remained under British rule until 1963, except for the years of Japanese occupation during World War II (1942-1945). She became a separate Crown Colony in 1957 when Malaysia became independent and was granted internal self rule in 1959. In 1963, she became independent as a state of the Federation of Malaysia. In 1965, the union with Malaysia ended and Singapore became a sovereign nation.

Broad measures of Singapore's economic development are given in Tables 1 and 2.

Table 1 gives nominal, real, and per capita GDP for the period beginning with internal self-rule to 1982 as well as their annual percentage changes. Table 2 shows the average compound growth rates for the entire period as well as selected sub-periods. The growth record they present is remarkable with real and per capita real GDP growing at compound rates of 9.1 per cent and 7.1 per cent respectively for the entire 23-year period. Comparative World Bank figures¹ for real GDP growth from 1960 to 1980 are: low income countries, 4.5 per cent; middle income countries, 5.7 per cent; and industrial market economies, 4.2 per cent. Singapore's rate is more than double the rates for low income and industrialised countries and exceeds the rate for middle income countries by approximately 60 per cent.

Although Singapore is small in terms of land area (620 sq. kms.) and population (2.5 million) her economy is quite large. In 1982, for example, the total value of Singapore's international trade (US \$43 billion) was larger than that of India, Pakistan, Bangladesh, Sri Lanka, and Burma combined (US \$ 34 billion).²

Table 1 GDP GROWTH OF SINGAPORE

(S\$ million)

Year	Nominal GDP	Growth of Nominal GDP (Per cent)	GDP at 1968 Market Price	Growth of GDP at Con- stant 1968 Market Price (Per cent)	Real GDP Per Capita	Growth of Real Per Capita GDP (Per cent)
1960	2149.6	-	2304.5	-	1400	-
1961	2329.1	8.4	2497.4	8.4	1467	4.8
1962	2513.7	7.9	2671.6	7.0	1526	4.0
1963	2789.9	11.0	2938.0	10.0	1637	7.3
1964	2714.6	-2.7	2835.6	-3.5	1540	-5.9
1965	2956.2	8.9	3048.7	7.5	1616	4.9
1966	3330.7	12.7	3387.8	11.1	1751	8.4
1967	3745.7	12.5	3788.9	11.8	1916	9.4
1968	4315.0	15.2	4315.0	13.9	2145	12.0
1969	5019.9	16.3	4906.1	13.7	2402	12.0
1970	5804.9	15.6	5579.3	13.7	2689	11.9
1971	6823.3	17.5	6276.7	12.5	2971	10.5
1972	8155.8	19.5	7119.7	13.4	3308	11.3
1973	10205.1	25.1	7941.3	11.5	3621	9.5
1974	12543.2	22.9	8445.2	6.3	3787	4.6
1975	13373.0	6.6	8790.3	4.1	3885	2.6
1976	14575.2	9.0	9447.4	7.5	4120	6.0
1977	15968.9	9.6	10193.2	7.9	4384	6.4
1978	17750.6	11.2	11074.0	8.6	4705	7.3
1979	20452.3	15.2	12114.1	9.4	5082	8.0
1980	24200.5	18.3	13366.5	10.3	5537	9.0
1981	28369.0	17.2	14695.2	9.9	6014	8.6
1982	31348.4	10.5	15626.9	6.3	6322	5.1

SOURCE: Economic and Social Statistics, Singapore, 1960-1982,
Department of Statistics, Government of Singapore.

Table 2 SINGAPORE'S ANNUAL COMPOUND GROWTH RATES

Period	Nominal GDP	Real GDP	Per Capita Real GDP
1960-1982	13.0	9.1	7.1
1960-1965	6.6	5.8	2.9
1966-1970	14.9	13.3	11.3
1971-1975	18.3	8.9	6.9
1976-1982	13.6	8.7	7.4
1960-1971	11.1	9.5	7.1
1971-1982	14.9	8.6	7.1

Table 3 shows how the structure of GDP has changed. In 1960, Singapore's economy was dominated by its tradition entrepot trade, transportation and communication functions as well as British military services (other services). These three categories accounted for nearly 70 per cent of GDP at current factor cost. Manufacturing accounted for only 11.9 per cent of GDP. By 1982, the economy had been significantly restructured. Entrepot trade, transportation and communications and other services declined to 46.5 per cent of GDP, while manufacturing increased its share to 26.4 per cent, to become the largest single sector of the economy. Construction and financial and business services increased their combined share of GDP from 13.2 per cent to 23.8 per cent. Rapid industrialisation has been the key factor in Singapore's growth with her development as an off-shore financial centre and booming construction industry playing strong supporting roles.

The industrialisation of Singapore's economy can be divided into two periods: the 'First Industrial Revolution' from 1959 to 1979 and the 'Second Industrial Revolution' which began in 1979. The first period began with industrialisation based on import-substitution with a typical package of import duties and investment incentives. Growth during the early 1960's was hampered by both external and domestic factors, including relatively high unemployment (in excess of 10 per cent) and labour unrest. The confrontation between Indonesia and Malaysia from 1963 to 1965 caused a sharp decline in Singapore's trade earnings.³ Finally, the separation from Malaysia in 1965 meant the loss of the domestic market for which the import-substitution policy was designed. Consequently, the rest of the

Table 3 STRUCTURE OF SINGAPORE'S GDP
(at Current Factor Cost)

Sectors	(Per cent)					
	Year					
	1960	1965	1970	1975	1980	1982
Agriculture, fishing and quarrying	4.1	3.4	2.9	2.4	1.8	1.6
Manufacturing	11.9	15.3	19.7	23.8	28.9	26.4
Utilities	2.5	2.4	2.8	2.0	2.4	1.7
Construction	3.6	6.8	7.3	8.5	6.8	9.7
Trade	35.9	29.6	30.2	28.2	24.8	21.9
Transport and Communication	14.2	11.8	11.2	11.6	14.5	13.4
Financial and Business services less imputed bank service charges	9.6	12.1	12.2	11.6	10.8	14.1
Other Services	18.2	18.6	13.8	11.9	10.1	11.2

SOURCE: **Economic and Social Statistics: Singapore 1960-1982**,
Department of Economics and Statistics, Government of
Singapore..

First Industrial Revolution was based on a policy of export lead industrialisation capitalising first on low-wage, labour intensive production. By the early 1970s, this policy had been successful in eliminating Singapore's unemployment problem providing the foundation for a transition to capital intensive, higher value-added industrialisation. This transition was delayed first by the oil crisis and world wide recession, and subsequently by the relatively low wage policy⁴ pursued by the National Wages Council (see next section for description of NWC) during the late 1970s. The Second Industrial Revolution aims to convert the manufacturing sector to capital intensive, high value-added production.

Table 4 shows how the structure of Singapore's manufacturing sector has changed in value-added terms. In 1961, food and related products and printing accounted for about 50 per cent of value added. In 1982, they contributed only 11 per cent of the total.

In contrast, petroleum refining and products plus machinery and equipment contributed about 50 per cent of value added in 1982 and only 10 per cent in 1961. The major structural change during the import-substitution era (1961-1965) was the introduction of the petroleum refining and products industry while the data do not indicate any significant structural change since the beginning of the Second Industrial Revolution in 1979.

Table 4 PERCENTAGE OF TOTAL VALUE-ADDED PRODUCTS

Industrial Category	Year				
	1961	1965	1970	1979	1982
Food, beverage, and cigarettes	33.5	26.2	13.4	5.8	6.2
Wearing apparel, textiles, footwear and leather products	2.9	4.0	5.1	4.1	4.8
Timber and wood products	7.1	6.9	6.5	4.4	2.5
Printing and paper products	17.4	11.3	5.8	4.5	4.6
Petroleum refining and products	-	13.6	19.2	14.3	18.2
Other chemical products	5.8	4.7	7.5	7.6	7.7
Cement, concrete and other non-metallc mineral products	8.7	6.9	3.0	2.6	3.2
Metals and fabricated metal products	9.1	12.2	8.6	7.1	7.7
Industrial machinery, electrical and electronic machinery and equipment	10.1	5.8	14.2	31.4	30.8
Transport equipment and oil rigs	4.3	5.7	14.6	12.5	11.4
Scientific equipment and optical goods	0	0	0.3	2.0	1.2

SOURCE: **Economic and Social Statistics, Singapore, 1960-1982**,
Department of Statistics, Government of Singapore.

ECONOMIC AND POLITICAL INSTITUTIONS

The People's Action Party (PAP) has held political power since 1959. In most of the 25 years of self-rule, the PAP has held every seat in Parliament. There is currently only one opposition member. In addition, the PAP effectively controls the labour movement, the government bureaucracy and local community organisations. Decision-

making is centralised within the party, and major policies are initiated by the ranking party leaders and the government bureaucracy rather than Parliament. Although avowed socialists, the PAP leadership has consistently demonstrated flexible pragmatism. In the Prime Minister's words: "The sole objective (in 1965) was survival. How this was to be achieved--by socialism or free enterprise--was a secondary matter. The answer turned out to be free enterprise, tempered with the socialist philosophy."⁵ Today, Singapore's economy is mixed with a strong free enterprise market system and a substantial government sector. Since Singapore is small, open economy, market forces dominate in allocating resources. The government has followed a broad non-interventionist policy: there are no exchange controls, restrictions on profit repatriation, anti-monopoly laws, significant import or export duties, or restrictions on foreign investment.

The economy is definitely not a laissez faire one, as government exerts powerful influences on the economy through a variety of channels. It has used traditional fiscal schemes to promote investment and to help determine the types of industries to which foreign investment flows. Government provides all the social and economic infrastructure through a series of statutory boards and public enterprises including education, utilities, communication, health, broadcasting and public housing. Forty per cent of gross wages are funnelled to the Central Provident Fund in the form of compulsory contributions of employers and employees. The Post Office Savings Bank and the Development Bank of Singapore are two of the largest financial institutions. There are a large number of government-owned companies that compete with private firms, including an airline, a shipping company, two shipyards, a commercial bank, a petroleum company, and many others.⁶ The government was the largest single employer in the economy, accounting for over 10 per cent of all employment in 1980.⁷ Finally, the government sets wages through the National Wage Council which was established as a tripartite body (employers, unions, and government) in 1972. In fact, the influence of the government is so pervasive in economic and other aspects of life that Singapore has been called both an 'administrative' and an 'authoritarian-corporalist' state.⁸ In any event, the role of the state is so important that attempts to credit the Singapore's success solely to the efficiency of the market economy are at least myopic if not misleading.

DEVELOPMENT POLICIES AND THE ROLE OF PLANNING

Approach to Planning

The government's attitude toward planning is clear: "Did I ever contemplate nationalisation, socialist planning for industrialisation and economic transformation? Frankly no. For there was precious little to nationalise ... Further I had before me, by 1965, the salutary lessons of U Nu's Burma, Bandaranaike's Ceylon and Sukarno's Indonesia".⁹ "Actually when we won the elections in 1959, we had no plans at all. We produced a formal document called the First Four-Year Plan in 1960, only because the World Bank wanted a plan. We cooked it up during a long week-end. I have very little confidence in economic planning. Planning as we know it has a limited value. Economic policy is more important."¹⁰

"If Singapore had resorted to a comprehensive planning system and the inevitable rigidities and bureaucratic controls that went with it, this paper would undoubtedly be a study of mass poverty and deprivation instead of a study of successful economic development."¹¹

The limited role of planning will be described in the broader context of Singapore's development policies. The building of the institutions described in the previous section and the emphasis on an interventionist-market economy represent the development policies common to the entire 25 years of self-rule. Specific development policies in each of the three sub-periods (import substitution 1959-1965; export-lead industrialisation, 1965-1979; and the Second Industrial Revolution, 1979 to present) will be considered next.

Fiscal and Tariff Incentives

Import substitution was based on a political policy that made creation of a Malaysian common market a condition for Singapore's entry into the Federation.¹² Economic policy centered around attracting foreign investment by two means: (1) provision of economic and social infrastructure, and (2) a package of fiscal and tariff incentives. Singapore's First Development Plan, 1961-64 was basically an allocation of government capital expenditure to various infrastructure projects.¹³ Total expenditure in the plan was \$875 million of which about 60 per cent was allocated to economic infrastructure (including 10 per cent to construction of industrial estates, 17 per cent for public utilities, and 13 per cent for transportation and communications) with the remaining 40 per cent allocated to social infrastructure projects. There was no central planning unit or mechanism to monitor the progress of the plan.¹⁴ The plan itself emphasised that its purpose was to create "the

conditions conducive to the investment of private capital."¹⁵ No other formal short-term plans have been issued.¹⁶ Public expenditure programmes are announced in the annual budget.

Fiscal and tariff incentives during this period included the introduction (for the first time in Singapore's history) of protective tariffs and import restrictions on over 150 commodities. Five-year tax holidays and deferment of depreciation allowances were offered to foreign investors establishing new firms. The Economic Development Board (EDB) was established in 1961. EDB, besides normal investment promotion, also provided loan finance, equity participation, and a host of other services to the investor.

Solving Personnel Problems

The problems caused by the separation from Malaysia were compounded by the withdrawal of the British military forces from Singapore in 1968. British military services accounted for about 15 per cent of GDP in 1967 and provided nearly 40,000 jobs or roughly 8 per cent of total employment. The deflationary impact of the pullout was attacked through an expansionary fiscal policy, including substantial increases in defence spending.¹⁷ Development policy continued to centre on attracting foreign investment. Import duties were reduced or eliminated while tax incentives were liberalised, providing for 90 per cent remission of corporate profits tax for 15 years on profits earned through exporting as well as tax relief on increased profits due to the capital expansion of existing firms. Labour legislation was passed in 1968 that essentially outlawed strikes and work stoppages.¹⁸ The prospect of labour peace served as an important incentive to foreign investors, particularly in labour-intensive industries. Additional policy measures included raising the rate of Central Provident Fund (CPF) contributions to provide more domestic funds to finance development.¹⁹ As of 1983, total assets of the CPF exceeded \$16 billion, 96 per cent of these assets are invested in government securities yielding 6.25 per cent. In addition, a wide variety of measures to improve technical and tertiary education were undertaken.

Policy for Restructuring Economy

The success of the First Industrial Revolution in terms of its effects on GDP were shown in Tables 1 and 2. Foreign investment accounted for about 70 per cent of fixed capital formation in the middle sixties, with the percentage contribution declining to around 30 per cent in the early eighties.²⁰ In dollar terms, capital inflows have increased from \$50 million in 1960 (\$104 million in 1965) to over \$ 4,770 million in 1982. Full employment, reached in

the early seventies (except for frictional unemployment), has been maintained since.

The policy of economic restructuring to a high value-added, capital intensive manufacturing sector was first outlined in the 1979 budget speech. The details of the 'Second Industrial Revolution' were spelt out in the second of Singapore's official development plans, an indicative ten-year plan titled, **Singapore's Economic Development Plan for the Eighties**. This plan was introduced in the 1981 budget speech.

The motivations for the restructuring are clear cut. First, since the economy is fully employed with a slowly growing domestic labour force²¹ increases in real output can occur only through increases in productivity (shift to higher value-added uses) or by importing more low skilled labour. Foreign workers already account for about 11 per cent of the total work force. Second, protectionism is more acute on the products manufactured by low wage, labour intensive industries. A shift to the production of higher technology goods would insulate Singapore from the effects of protectionism. Third, Singapore will be less and less able to compete with truly low wage countries like China as they enter the industrialisation process.

The restructuring is to be accomplished through three broad sets of policies. First, and most important, is the high wages policy. The NWC granted above market rates of increases in 1979, 1980 and 1981. From 1976 through 1979, weekly earnings grew by an annual average rate of 6.5 per cent. From 1980 through 1981, the three years of the high wage policy, weekly earnings grew at an average annual rate of 14.1 per cent.²² Sharp jumps in productivity, value-added per worker, and fixed assets per worker between 1979 and 1982 are indicative of the success of this policy.²³ The second set of policies are fiscal incentives. They are basically the same as those discussed above. The major change is that the incentives are granted more selectively. The priority industries now are those with a technological level associated with the developed industrial economies, including, for example, industrial robotics, computers, solar cells and optical fibres, medical devices, etc. Research and Development expenditures are treated more liberally for tax purposes than before. The third set are manpower development and training policies including increased enrolments at the National University and existing technical schools as well as the establishment of a second technological college. The Skills Development Fund (SDF) was established to provide funds for skills upgrading. It is financed by a 4 per cent levy paid by employers on the wage bill of all workers earning below a minimum amount per month. Thus, employers

are rewarded for upgrading their employees skills as higher wages associated with higher skills will reduce the employer's contributions to the SDF. The government also supports on-the-job training through its four industrial training centres.

Features of Ten-Year Plan

The features of the Ten-Year Plan need to be considered specifically. First, the plan is stated in very general terms. The only detailed projection made is the need for technical manpower during the eighties. Five specific targets are formulated: (1) an 8 to 10 per cent annual rate of increase in real GDP, (2) a 6 to 8 per cent annual increase in productivity, (3) an increase in the share of manufacturing in GDP to 31 per cent by 1990, (4) an increase in value-added in manufacturing by 11 to 13 per cent per year, and (5) a 12 per cent rate of growth in tourist arrivals. Broad growth areas ('pillars of growth') identified²⁴ are: manufacturing, trade, tourism, transportation and communications and 'brain services' comprising computer, financial, medical, and other consultancy services. The bulk of the plan is devoted to the necessity for economic restructuring, to highlighting the importance of these growth areas, and to describing general policies that the government either had undertaken or might undertake. Details of proposed policies are not provided. Rather than a development plan per se it is a description of medium-term trends the government wishes to induce in the economy and a general menu of broad policies to achieve them.

SUMMARY AND CONCLUSION

Singapore has no ministry of planning or central planning unit. It has had only two formal 'plans'. The first, apparently written primarily to satisfy the World Bank, was essentially a government capital expenditure programme. The second, presented after the Second Industrial Revolution, inaugurated through the high wage policy and other means, was primarily a document designed to explain the need for the economic restructuring, already underway, to indicate the general goals of the government's development policy, and to suggest the means through which these goals might be attained.

Development planning in Singapore is a combination of micro-level project planning and budgetary programme preparation. Carefully designed sets of government policies are implemented to move the market economy in the desired direction. In this sense policy has replaced comprehensive planning in Singapore. A competent and consistent government has provided a stable foundation for the economy

while reliance on market forces rather than planned resource reallocation has added a degree of flexibility usually not found in planned economies.

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15. *Ibid.*, p. 4.
16. A Five-Year Plan for 1965-70 was drafted but was not issued due to the vastly changed circumstances following the separation from Malaysia.
17. Wong, *op. cit.*, p. 270.
18. From 1960 to 1968 to an average of over 160,000 man-days were lost per year through work stoppage. From 1969 to 1982, about 600 man-days per year have been lost. **Economic and Social Statistics of Singapore 1960-1982**. Department of Statistics, Government of Singapore. See also Lim and Pang, *op. cit.*, p. 248, for details of the legislation.

19. When established in 1955 the contribution rates to the CPF were 5 per cent of gross pay for both employee and employer. Contributions rates have been raised steadily reaching the current level of 50 per cent (25 per cent by employee and 25 per cent by employer). Besides providing funds for development, increases in the CPF rates have been undertaken as anti-inflationary measures.
20. **Economic Survey of Singapore 1980**, Ministry of Trade and Development, Singapore.
21. Singapore family planning programme has been extremely successful with current population growth less than 1 per cent per year.
22. **Economic and Social Statistics of Singapore, 1960-82**, op. cit. The wage bill increased by over 20 per cent per year but a significant part of the increase went to increased CPF contributions.
23. Wong, op. cit., p. 283.
24. These five areas accounted for nearly 87 per cent of GDP in 1982.

Development Planning Systems in the South Pacific Region

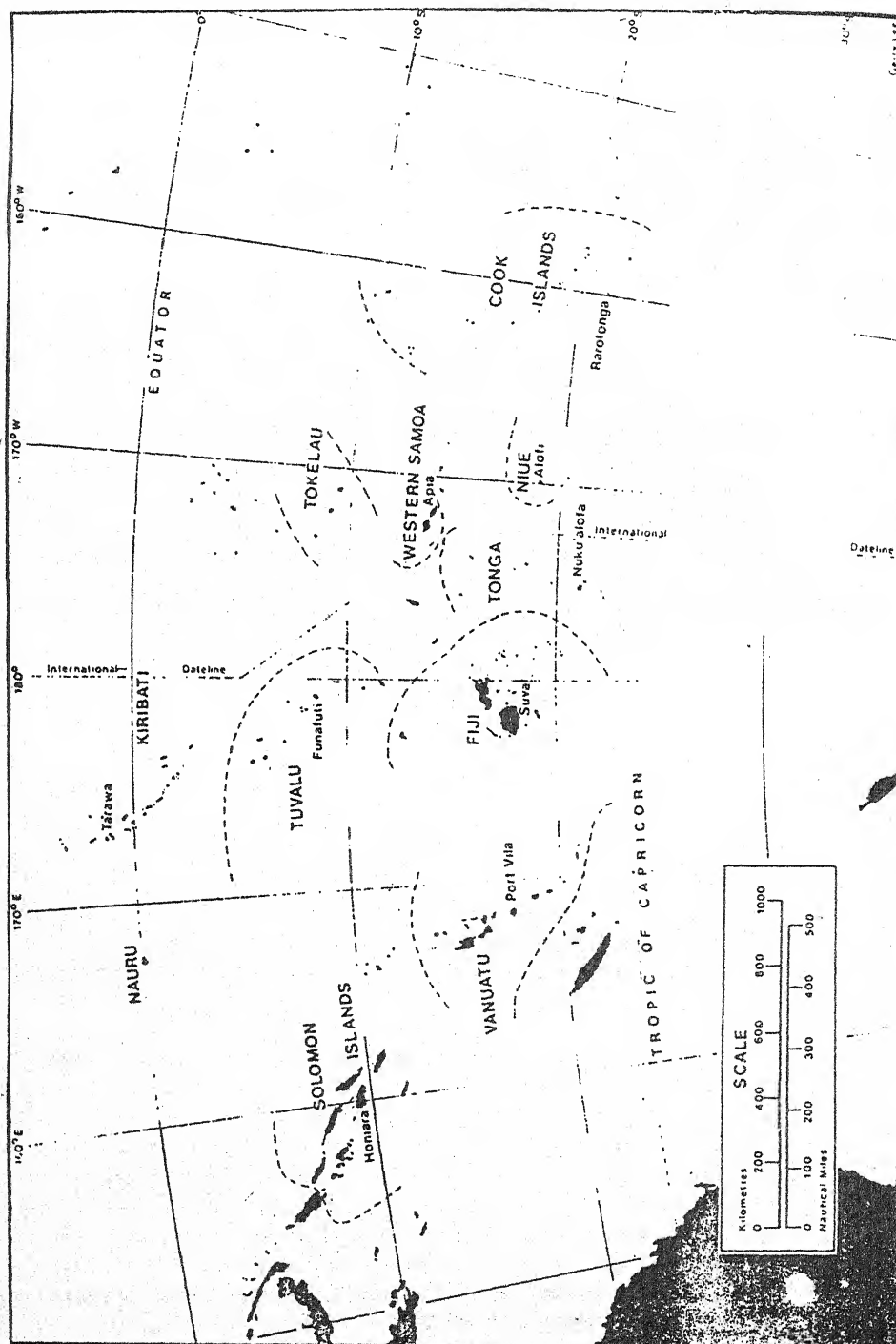
GANESHWAR CHAND

ALL THE countries in the South Pacific Region are classified as mixed economies. As such the role of the private sector is sacred. Government intervention is desirable only to the extent that it provides stability conditions and incentives for the development of capitalism. Development planning in these countries, therefore, has to be viewed within such a political framework. It follows then that those member countries that have formal development plans can relatively effectively plan only the public sector activities. Private sector activity planning takes the form of indicating priority areas of development, and incentive schemes that would encourage consistency of private sector decision-making with the national development objectives. Thus the generally indicative nature of development planning of these countries is apparent.

Another important feature is that the policy makers in all the countries of the region recognise that their countries are relatively small to the extent that these countries need special consideration; planning in smaller nations is considered more difficult than planning in larger nations with similar non-size indicators. The countries of the South Pacific Region are small and scattered, highly open, essentially primary commodity producing, and tropical. These factors are always kept in mind when planning is discussed for

*The South Pacific Region comprises over a dozen independent and colonised small island nations as well as two relatively developed and larger nations--Australia and New Zealand (see Map 1). To consider the planning systems in all these countries would be beyond the scope of this article's size and financial constraints. As such some aspects of development planning for only some of these smaller nations and that too very generally are considered. However, a detailed case study of the planning system of Fiji which, would show some of the intricacies of development planning in small, dependent island nations is given.

Map 1. THE SOUTH PACIFIC REGION



they affect, apart from the performance of the plan, the degree of comprehensiveness of the plans. Development plans, thus are not regarded as rigid blueprints for modernisation. The importance of this factor can be illustrated from the Fijian case where a cyclone in 1982 and a drought in 1983 caused

substantial damage to the principle export commodity--sugar--which in turn had significant impact on plan performance (e.g., sugar production did not reach the targets) and on public sector projects.

Because of the range of various countries' perceptions, various types of planning approaches have been used in this region. Most of the countries started off with what could be called 'capital development budgets'. This involved formulation of some projects, in most cases unrelated to each other, or to serve some particular objective. Thus Vanuatu's Joint Development Plan, 1971-75, for example, consisted of a "list of projects to be funded under the condominium budget".¹ Another approach to planning is the 'integrated public investment programme' approach. Such an approach prioritises public investment projects with respect to the constraints imposed by resource availability. The First Five Year Plan for Tonga, 1965-70, is an example of such a plan.² The third approach to planning is to attempt relatively comprehensive planning where a set of clear objectives and relatively precise targets are established. This requires that resource allocation be in line with the targets. Usually relatively complex mathematical models are used in such types of planning. Currently most South Pacific member countries claim to adopt a comprehensive approach to planning. A notable exception is the Solomon Islands. Here the Mamaloni Government, which came to power in 1981, replaced the supposedly comprehensive Development Plan 1980-84 with a 'Programme of Action 1981-84'. This was a direct result of rejection of the old government's development manifesto. This 'Programme of Action' is a thin and a general document with four broad objectives, viz., devolution of administration and decision-making, increasing the productivity of the economy, equitable distribution of development, and redirection of policies and programmes so that they serve the needs of Solomon Islanders. This 'Programme of Action' includes a list of projects, according to priority ranking, that serves to achieve any one or more of the four objectives.

The comprehensive plan horizons currently range from three to five years (Table 1). This time-frame is largely based upon firstly, the traditional argument that in most cases important projects have a gestation period of around three to five years, and secondly, in view of the fact that many aid agencies have aid packages which range from three to five years. However, apart from the existence

Table 1 COMPREHENSIVE PLAN HORIZONS

Country	1st Development Plan	Current Plan	Existence of Perspective Plan	Agency Responsible for Planning
<hr/>				
Cook Islands	1982-85	First National Plan: 1981-85	X	Department of Development Planning
Fiji Islands	1949-58	Development Plan Eight 1981-85	X	Central Planning Office
Niue	1980/81-1984/85	National Development Plan 1980/81-1984/85	X	Development Planning Committee
Solomon Is.	1944	Programme of Action 1981-84	X	National Planning Office
Tonga	1965-70	Fourth Five-Year Development Plan 1980-85	✓	Central Planning Department
Tuvalu	1978-80	Third Development Plan 1984-88 (in Print)	X	Planning Office, Ministry of Finance
Vanuatu	1982-86	First National Development Plan 1982-86	✓	National Planning Office
Western Samoa	1966-70	Fourth National Development Plan	X	Economic Development Department

of the medium-term plans, Tonga and Vanuatu have a long-term plan each. Tonga's twenty-five year perspective plan began in 1971 while Vanuatu's current plan is the first stage of a fifteen-year perspective. Furthermore, all these countries have annual budgets, also known as short-term plans, which are supposed to operationalise the medium-term plans. Some countries also have, apart from the annual budget, annual plans, e.g., Western Samoa, while others, e.g., Fiji have rolling budgets in addition.

Most of the countries have a permanent special unit, often known as the Planning Office, charged with the responsibility of preparation, coordination, and review of the plan. The discharge of these functions always involves very close liaison with most ministries, and private sector representatives. This office is usually manned by professional planners. The Planning Office reports to the cabinet, usually through the Prime Minister if the Planning Office comes under the Prime Minister's Office, e.g., Vanuatu, or if the office comes under some ministerial portfolio, through the minister responsible, e.g., Fiji. However, the organisational patterns do differ, e.g., in Tonga, the Planning Office is responsible to the cabinet via the 'Development Coordination Committee', which is directly responsible for Tonga's development policy. In the micro-state of Niue, a 'Development Planning Committee' was set up in 1978 which comprised ten government officers. One important feature of Niue is that the 'Development Planning Committee', which constructed Niue's plan, did not have full-time members in that all the ten officers also had other full-time commitments in their own departments. The Development Planning Committee was directly responsible to the cabinet of the country.

For effective coordination among various sectors of the economy, however, most countries have separate committees composed of representatives from various ministries which would be in one way or another involved in plan preparation. Fiji, for example, has a 'Development Sub-Committee', a 'Budget Coordinating Committee' and a 'Macroeconomic Sub-Committee'. The Development Sub-Committee allows the permanent secretaries of various ministries to discuss the plan objectives. The Macro-Economic Sub-Committee which is composed of representatives from the Reserve Bank, the statistics and budget sections of the Ministry for Finance, and the Central Planning Office, tries to ensure coordination of macroeconomic policies which would affect the plan. The Budget Coordinating Committee basically tries to ensure consistency of plan priorities and annual budget expenditures. Similarly Kiribati, and Tonga have a Development Coordinating Committee each, Solomon Island has a Development Committee, Western Samoa has an Economic Development Board, and

Tuvalu has a Planning Committee. All these committees are essentially inter-departmental.

Any development planning process is composed of five essential stages: identification of national objectives; definition of overall development strategy; translation of plans into a series of programmes; plan implementation and plan monitoring and evaluation.

The crucial question in identification of national objectives is: who identifies the national objectives. In liberal democratic framework, it is taken that the political party which forms the ruling government is the representative of the citizens. As such it is often claimed that if the national government establishes the objectives, then the objectives would reflect the citizens' preferences. As such planning can be seen as a 'bottom-up' process. However a related issue is whether or not the masses would be concerned with more than their immediate welfare, e.g., would a sugarcane farmer in Fiji consider the fact that his/her substitution of rice production by sugarcane production on his/her five hectare plot would be anti-Development Plan Eight objective of increasing self reliance; after all the farmer's decision would be based on economic logic. A glance at some of the National Development Objectives as given in Table 2, would lend further weight to this thesis. Thus, upon close examination, one finds that the planning approach in these countries is a combination of top-down and bottom-up procedures. Most of the countries in the region have district development committees which attempt to include the masses in the development planning structure. However simultaneously, most government departments and agencies are given opportunities to submit their own proposals within the national development guidelines. Thus the role of the planning office is to reconcile the wishes of the citizens, the government department and agency proposals, and the national development objectives. This role of the planning office is fairly significant and difficult in countries like the Solomon Islands and Vanuatu where the regional issues are fairly sensitive. In Solomon Islands, in particular, because the provinces have become more conscious of development projects, the planners find that getting some projects implemented in some provinces, or those that require provincial support has become relatively more difficult and time consuming. This may be due to reasons like the provinces not releasing some land needed for particular projects because this project does not rank highly on the provincial priority ranking though it may be very important in terms of national development objectives. Thus the planning offices' role in such reconciliation of masses perceptions and 'expert' opinion is very important. Thus, all in all, national

Table 2 NATIONAL DEVELOPMENT OBJECTIVES SPECIFIED IN
DEVELOPMENT PLANS OF SOME SOUTH PACIFIC COUNTRIES

	Cook Is.	Fiji	Niue	Solomon Is.	Tonga	Tuvalu	Vanuatu	W.Samoa
Promote Economic Independence		✓	✓	✓	✓	✓	✓	✓
Reduce Aid Dependence			✓				✓	✓
Reduce Trade Imbalance	✓	✓	✓	✓	✓	✓	✓	✓
Control Public Sector Wages/Size	/	✓		✓			✓	✓
Encourage Resource Identification	✓	✓	✓	✓	✓	✓	✓	
Encourage Resource Exploitation	✓	✓	✓	✓	✓	✓	✓	✓
Develop Local Energy Resources	✓	✓	✓		✓		✓	✓
Encourage/Control Foreign Investment		✓		✓	✓	✓	✓	
Foster National Unity/Identify		✓	✓	✓		✓	✓	
Increase Localisation		✓	✓	✓	✓	✓	✓	✓
Increase Decentra- lisation		✓		✓	✓	✓	✓	✓
Foster Intra- regional Cooperation	✓	✓	✓	✓	✓	✓		
Reduce Urban Drift		✓		✓	✓		✓	
Decrease Birth Rate		✓			✓	✓		✓
Protect Environment		✓	✓	✓		✓	✓	✓

SOURCES: 1. A. McDonald, D.B. Evans and F.V. Sevele, **A Guide to Project Planning and Appraisal in the South Pacific**, South Pacific Commission, Suva, 1982, p. 27.

2. Development Plans of various countries.

development objectives are established through a combination of top-down and bottom-up procedure.

An overall development strategy is a means of implementing the national objectives given the constraints. Thus basically this important step is based on economic logic. This implies that the planners have to feed the politicians on the nature of the overall development strategy.

Translation of a plan into operation involves three inter-related stages: definition of sectoral (and regional) objectives; the choice of projects at the micro-level; and the definition of specific financial policies. Sectoral objectives are essentially determined by the government departments/ministries in conjunction with the planning office. Thus this can be seen as a top-down process. However, regional objectives are very largely determined by the population at large. Regional objectives are very important in most countries because of the sparse distribution of islands within a group. As such the issue of which region should get what and when is very sensitive, and often pressure groups are fairly influential as far as establishment of regional objectives are concerned. Perhaps the most important aspect of development planning is the choice of projects which have to be implemented. Often each ministry/department/region comes up with one's own priority list and each would want all its projects included in the plan. Thus it becomes the task of the planning office to prioritise the projects so that the priority ranking is consistent with the national objectives. This process largely involves professional project planners; some planning offices (e.g., Fiji's) even have separate project planning sections. Liaison between the planning offices, the ministries, the Public Service Commissions and aid/foreign affairs departments is very important. It is to be noted that ideally the project proposers should send in proposals after detailed appraisal, however, there are numerous instances where it is found that lack of qualified project planners in the ministries and departments place the burden of detailed project appraisal on the planning office. However, a typical development plan would show proposals for capital expenditure targets for each sector, each region and each year. This stage involves considerable time, effort and difficulties. In particular reconciling the specific project choice with the plans' sectoral and regional as well as national objectives is no easy task especially in countries with limited number of skilled planners. Another problem is that posed by the highly dependent nature of the South Pacific Island economies. Rapidly changing international economic conditions (e.g., fluctuating interest rates) affect significantly the project planning systems especially in a five-year plan

horizon. The final stage of translation is the definition of precise financial policies, e.g., fiscal/tax policies, monetary policy, trade policy, exchange rate policy, and pricing-wage policies. The determination of financial policies is usually done during the annual budget preparation since it is the annual budgets which operationalise the plans. But ad hoc policy announcements are fairly common, especially in countries with relatively well developed capitalist sector, e.g., Fiji.

Plan implementation, monitoring, and review are the most important aspects of a planning process. If there are delays in implementation, or loopholes in the implementation process, the attainment of national development objectives would be thwarted despite the inherent consistency of the plan document. Tonga's fourth development plan recognised that "a disappointing aspect of the Third Development Plan was the failure to establish an effective system of plan implementation".³ Thus, a system of effective plan implementation is one specific prerequisite for a successful plan.

Plan implementation is the responsibility of the governmental ministries and departments, and those bodies, e.g., statutory bodies or local authorities, which are specifically identified in the plan as responsible for a particular programme or project. However, usually more than one department/ministry is involved with the implementation of one single project, e.g., in a hydro-electricity project, the lands department (physical planning), development bank (loans), foreign affairs department (foreign aid), foreign trade department (import of inputs), public works department (construction), labour department (industrial disputes), the private sector (input provision and market for output), and the electricity authority are some of the agencies involved in its implementation. Thus, one prerequisite of successful implementation of this project is effective coordination and cooperation among various agencies involved. Obviously, it would be a difficult task for the electricity authority, for example, to single-handedly coordinate among the various agencies involved. In this region, the planning offices, which are 'technical secretariats' of the governments, are charged with the responsibility of overall coordination of the projects, and with the plan implementation.

It is to be noted that the plans would not be successfully implemented if the administrative structure is inconsistent with the plan design. In the region usually there are provisions whereby the planning office can recommend to the cabinet any adjustment in the administrative structure that may be needed for effective implementation of the plan, e.g., in Fiji, the eighth plan recommended "corrective measures to be taken to iron out duplications of work by

various departments and ministries"⁴

However, it is essential to note that the plan document itself does not authorise expenditures, the plan document only provides a framework within which the available resources are to be allocated. In this region, it is the annual budget which is the main institution for putting into effect the plan objectives and for implementing the programmes requiring public funds and financial measures. The plan, as has been mentioned, is the government's development policy statement for a medium-term time-frame. However, the precise timing of the implementation of a programme, and the timing of specific financial policies is determined by the short-term economic conditions. This is fairly important in this region, largely because of the rapidly changing internal economic conditions caused by the small, highly open, and dependent nature of these economies. Thus the precise level, type and location of expenditures, detailed revenue generating policies and supportive price, monetary, trade and exchange rate policies are determined by the annual budgetary processes.

Successful plan implementation also requires continuous monitoring of plan performance. Plan performances in the region depend upon the internal as well as external factors. A decline in export earnings due to a cyclone, for example, may cause shortage of capital for plan implementation. As such, delays in the result would follow. These delays in many cases may be very prolonged if monitoring and review of the plan does not take place. Monitoring of plan performance not only provides feedback which may improve plan implementation, but it also, and very importantly in this region, indicates revisions of plan priorities and strategies. The revision of priorities and strategies is an integral aspect of planning process in this region, especially given the problems which arise due to the highly dependent and open nature of these economies, the small size, and the climatic conditions. Since plan implementation to a large extent in the smaller countries depends on the aid donors emphasis and priorities, unforeseen developments in aid donors' emphasis and priorities may also require a revision of plan strategies. The emergence of some substantial aid funds which was not foreseen, thus unaccounted, during plan preparation, for example, would require revision of plan strategies.

The planning offices in this region are charged with the responsibility of plan progress monitoring and periodic reviews. However, one important problem which undermines effective monitoring and review is the relatively understaffed planning offices. Despite the fact that institutional provisions for monitoring and review are present, because of heavy workloads of the planners, monitoring and

reviews are often not as comprehensive and as frequent as otherwise could be possible.

Ex-post evaluation of the plans is not usually carried out for the reason that planning is a dynamic process and it is believed by the planners that monitoring and review provide adequate feedback for construction of new plans. Another reason is that a new plan is usually prepared when the old plan is in the final phase of its life and as such ex-post evaluation, by its very nature, cannot be of much importance to the immediate construction of the plan. Ex-post evaluation, however, may be of some importance for future plans but by the time another new plan is being constructed, the economic conditions, the priorities, and the strategies may have so changed that an ex-post evaluation of a plan ten years old may not be of much practical use. Thus, ongoing evaluation of the plans is of more practical importance than an ex-post evaluation. However, instead of ex-post evaluation of the whole plan, what is provided for in the plan, is ex-post evaluation of programmes and projects. This not only identifies those aspects of project design and implementation which may need improvement for similar projects in future, but it also helps identify new projects and new locations for similar projects which may add to the attainment of the national development objectives.

In any case, it must be noted that ex-post evaluation of programmes and projects require the services of skilled personnel and adequate planning staff. This, in most South Pacific nations, is a constraint. As a result many programmes and projects are not evaluated after they are implemented. Overloaded planning officers, plus the view that once a project is implemented it is the end of the story, are significant barriers to ex-post evaluation of projects. In Solomon Islands, for example, such reasons are the cause for a lack of interest in ex-post evaluation of programmes and projects.

PLANNING SYSTEM IN FIJI : A CASE STUDY

Development planning in Fiji was initiated by the (British) colonial government after World War II. The initial plans were only capital development budgets for the public sector. The introduction of relatively more sophisticated planning was "closely tied to the introduction by the United Kingdom of the Commonwealth Development and Welfare Grant Scheme under which British colonies were required to submit development plans in order to qualify for financial aid".⁵ Fiji's first plan was formulated for the ten years covering 1949 to 1958. The three following plans covered the periods 1956-60, 1961-

65, and 1964-68 respectively. The approach to planning until now was limited to the formulation of a few unrelated capital projects. The fifth plan (1966-70) was within a relatively more integrated framework. However, it was only after Fiji's constitutional independence (1970), when attempts at indicative planning took a foothold. One will come across increasing sophisticatedness of the plan documents as one moves from the sixth plan (1970-75), to the seventh (1976-80), and eighth (1981-85) plans.

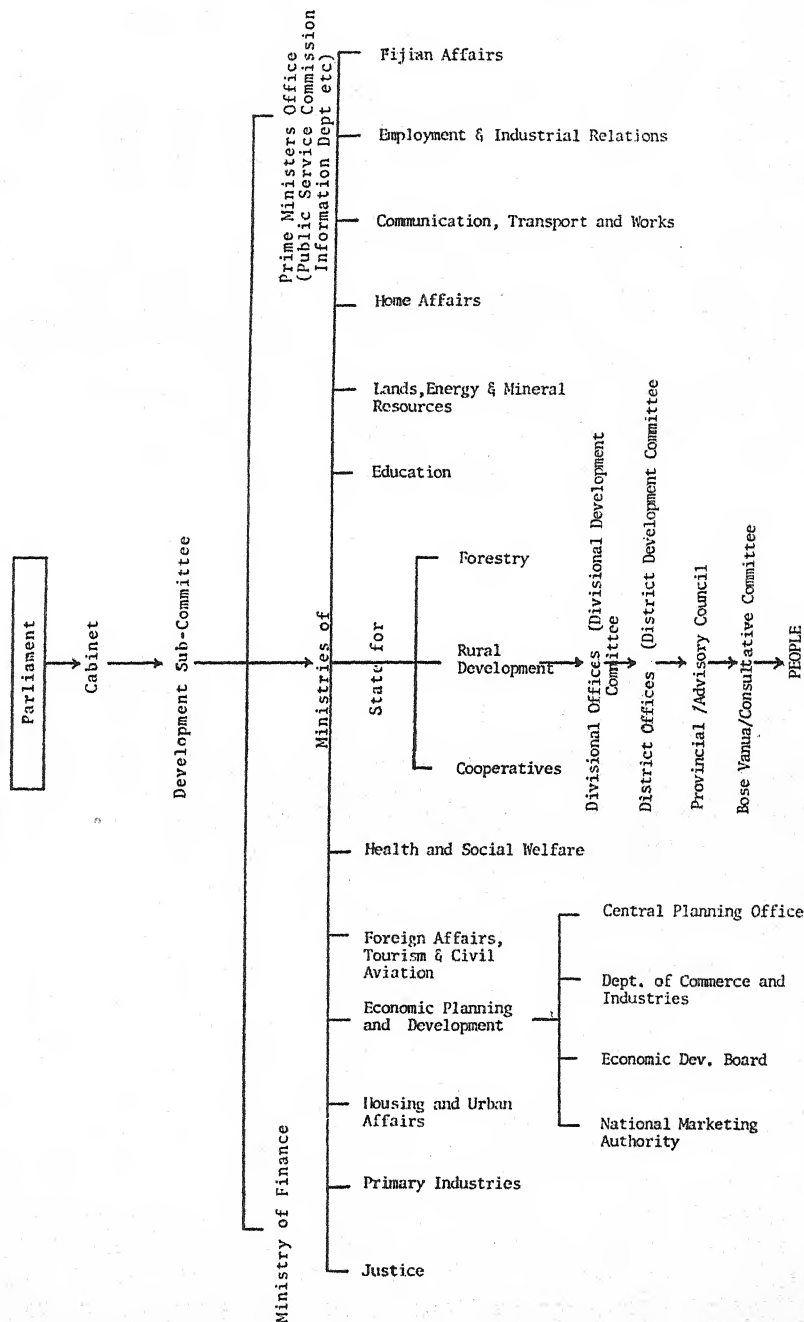
The post-independence development plans categorically state that given the mixed nature of the economy, the development plans provide an overall framework for guiding public sector resource allocation. The activities of the public sector are to be confined to provision of incentives to private sector decision-making, e.g., infrastructure such as roads and other public works, power, water supply, utilities and basic communication facilities; social services such as health, education and transfer payments for the destitutes and disabled; certain basic industries through state-owned corporations; and other financial incentives, such as tax, monetary, price, trade and exchange rate regulations. The private sector, thus, enjoys the freedom, within the overall developmental framework, to engage in productive and distributive services in all sectors of the economy. Therefore, the Fijian planning system should also be discussed within such a political-economic framework.

To understand the planning system in Fiji, it is essential that one understand the governmental administrative machinery first. In Fiji, the Parliament, which comprises twenty-two appointed members of the Upper House and fifty-two elected members of the Lower House, is the supreme decision-making body. Currently there are three political parties but only two are being represented in the Parliament. The winning political party forms the Cabinet. The Cabinet consists of all the ministers. Currently there are sixteen ministries. Each ministry is organised on a functional structure (see Chart I).

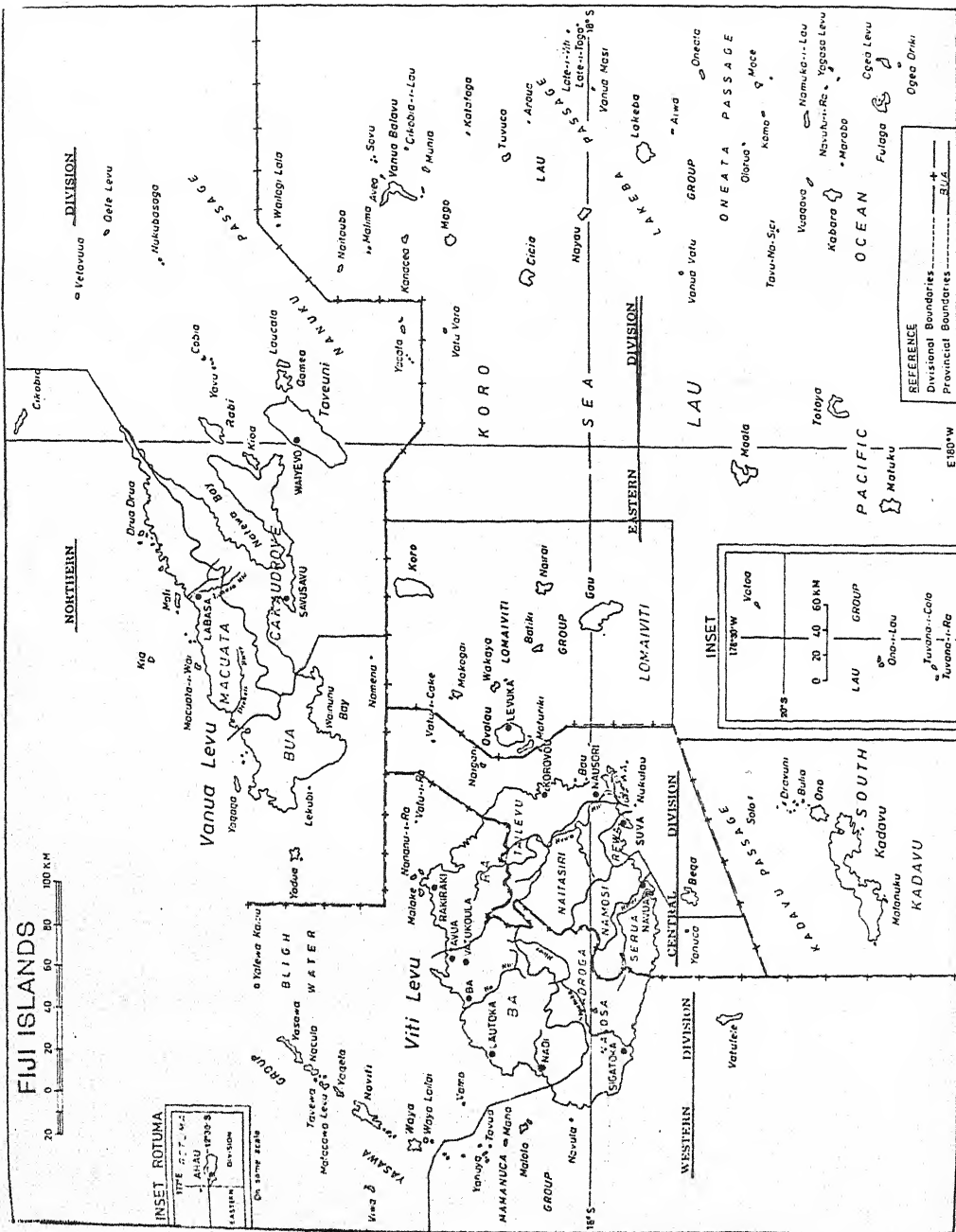
Fiji is divided into four divisions/regions--the Eastern, Western, Northern and Central divisions. Each division comprises many districts/provinces (see Map 2). Each minister, thus, maintains one's own offices and officials in each division and in each district. The Ministry for Education, for example, has its own divisional Education Office in each division and a district education office in each district. As such the individual ministers are fairly powerful.

One important feature, however, is the existence of field prefects. Each division has a divisional office headed by a commissioner while each district has 'district offices' which are directly

Chart 1 GOVERNMENT ADMINISTRATIVE STRUCTURE (FIJI)



Map 2 PROVINCES OF FIJI



responsible to the divisional office. This structure is based on the colonial administrative structure whereby the field prefects were relatively more important and powerful in policy formulation and implementation. But now the roles of these prefects have been watered down. However, it is to be noted that recently there have been calls from some ministers themselves for increasing the roles of these prefects by decentralising the administrative structures. As it is, the ministries have a strong vertical hierarchy in which most decision making is centralised at headquarters.⁶ Such decentralisation would, it is claimed, give more teeth to the Divisional Commissioners to influence plan formulation, implementation and review. In any case the intention of having a prefectorial system is to ensure maximum community participation in the planning and development process. As is the current case the divisional commissioners have no formal powers to control the activities of other departments and ministries.⁷ For example, if one had a proposal for or a complaint against, say an education facility, one would go to see the district education officer and if need be to follow it up to the divisional education officer or even the minister concerned. However adequate provisions are built in the prefectorial system for more representatives but the relative impotency of such system, as utilised here is apparent.

This problem has been compounded, institutionally, after the 1982 General Elections. Before this election the Central Planning Office was under the Prime Minister's Office. As such it enjoyed relatively more strength and powers because it was directly responsible to the Prime Minister whose views are usually fairly respected among his cabinet colleagues. However after 1982, the Planning Office was demoted to the Ministry of Economic Planning and Development and as such it became equivalent to any other department of any other ministry. Thus, the resolution of conflicts becomes more difficult, at least institutionally. However, this problem is not as intense now because the Minister for Economic Planning and Development is the Deputy Prime Minister who has his own office despite the fact that this portfolio (Deputy Prime Minister) is not provided in the constitution. Thus given, informally of course, that the Deputy Prime Minister is responsible for the planning office. The Central Planning Office enjoys relatively more powers than what is provided for in the institutional framework. As soon as the Deputy Prime Minister ceases to be the Minister for Economic Planning and Development, the planning office will again be in a weaker position.

The planning process is basically an outcome of such an administrative structure. Essentially planning is perceived to begin with the people. In Fiji there are two major races of people--the indige-

nous Fijians (of Melanesian descent) and the Indo-Fijians (of Indian descent). As such it has been claimed that these two major races still have polarised ways of living and cultural values, thus each racial group should have its own representation. Such a communal electoral system is supposed to ensure that views of both the races as regards development are adequately represented. Thus the people's participation in the planning process takes two forms: one through the politicians who are regarded as representing the will of the citizens, and secondly through ongoing consultation of people via the prefectorial system.

The Central Planning Office (CPO) is the key agency in plan formulation, monitoring and review. The CPO is one of the four departments under Ministry of Economic Planning and Development which in turn is responsible to the Cabinet. It must also be noted that the permanent secretary of this ministry sits in the Development Sub-Committee. Actually it is the Development Sub-Committee, where the permanent secretaries and department heads meet, which is responsible for economic planning in Fiji. Thus the Development Sub-Committee is responsible to the cabinet for development planning. The roles of Central Planning Office are numerous--it is concerned with medium-term planning and forecasting of targets, setting national, sectoral and regional policies and strategies; it researches, evaluates, monitors plan implementation and carries out plan reviews, it assists ministries with project identification, formulation and appraisal, and serves as an institution responsible for general coordination so that plan targets are achieved.⁸ To carry out these functions the CPO has three units--the Macroeconomic Unit, which is concerned with macro economic modelling and targeting, the Project Planning Unit which is concerned with all aspects of projects necessary for a plan document; and the Sectoral-Regional Unit which is concerned with sectoral and regional planning. The Sectoral-Regional Unit has arisen very recently; previously there existed two separate units--the Sectoral Unit and the Regional Unit. The realisation, especially since Fiji has regional development as one of its chief objectives (a whole volume of the eighth plan is devoted to this), that sectoral and regional performances cannot be divorced from each other, caused the merger of these two units.

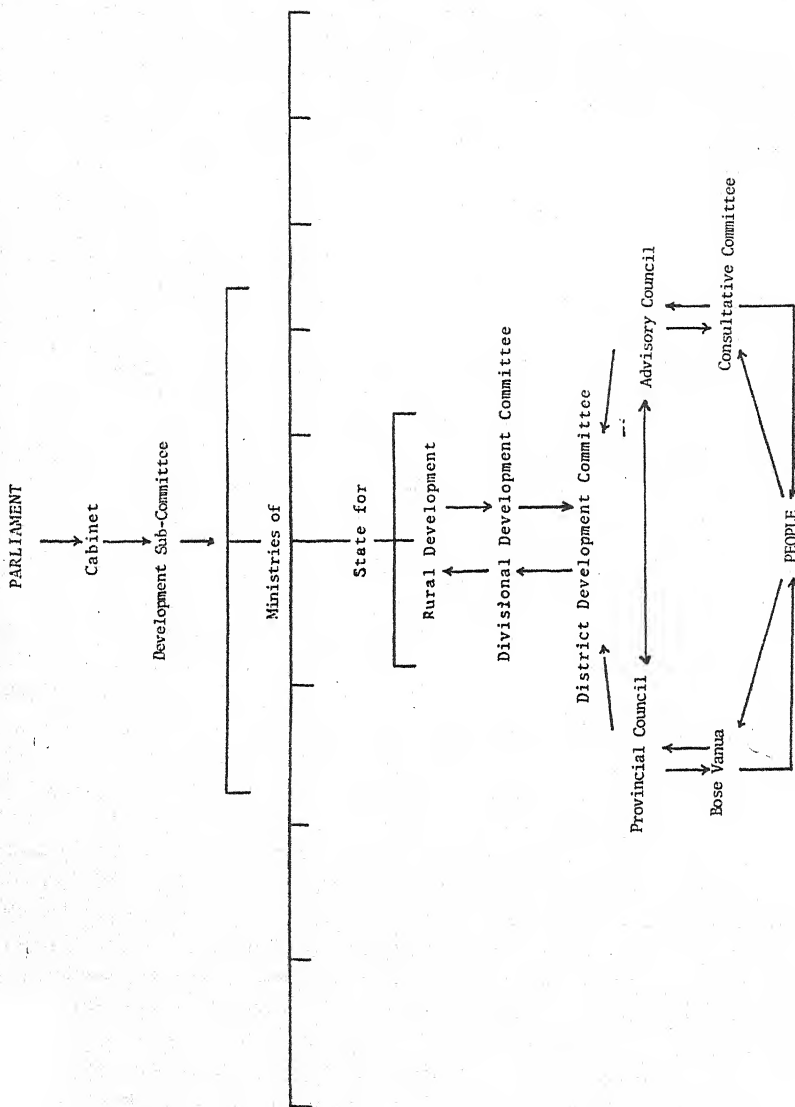
Planning is a continuous process. About two years before a plan is prepared discussions within the CPO start. Such discussion concentrates on the objectives and strategies of the plan, and sector performance to date. This is done in close consultation with the government ministries and departments. As a result of such discussion and ministerial feedback, the CPO prepares a brief paper, regarding the objectives and strategies for the Cabinet to get

cabinet's approval. If the cabinet does not approve the orientation of the objectives and strategies, the CPO has to revise this paper, again in close consultation with the implementing bodies. After cabinet's approval the CPO takes up detailed sector study and projects the targets. When the targets are set, the strategies are translated into individual programmes and projects. Thus the plan document is prepared. A plan document contains, apart from the list of objectives and strategies, the various projects which are to be implemented and the expenditure estimates for each project and each year.

One of the most important and difficult aspects of the plan preparation is the translation of the objectives and strategies into a series of programmes and/or projects. The first step in this is the definition of sectoral and regional objectives. These objectives are set by the CPO in close consultation with the respective ministries and the divisional planning offices. The next step--that of choosing and prioritising the projects at the micro level is very important. Projects are of two types--'National Projects' and 'Rural Development Projects'.

The choice of projects is supposed to be done by the people. In the field there are various institutions which provide avenues for ongoing participation of people in the planning process (see Chart 2). In each district there exist various 'Bose Vanuas' (an indigenous Fijian term meaning 'talk about their area') and 'Consultative Committees'. The 'Bose Vanua' is the vehicle through which the indigenous Fijian population discuss the problems of their areas and propose projects which they think would improve their welfare while the Consultative Committees are similar vehicles for the non-indigenous Fijian population. These bodies are chaired by the 'Provincial Councillors' and 'Advisory Councillors' respectively. They present the people's views in the Provincial Council (for indigenous Fijians) and the Advisory Council (for the others). However one problem is that though the provisions for 'Bose Vanuas' and Consultative Committees exist, in practice currently in most cases they are not functional. Thus the people are supposed to make requests, suggestions and complaints directly to the Provincial Councils and Advisory Councils. The councillors in these two bodies are elected by the people and are supposed to voice the peoples views in the 'District Development Committees'. Each district has a 'District Officer' who chairs these committees. These committees are partially elected by the provincial and advisory councillors. The CPO and the ministerial representatives also sit in these committees. In the District Development Committee, the projects proposed by the provisional and advisory councillors, the ministries and those

Chart 2 RURAL DEVELOPMENT ADMINISTRATIVE STRUCTURE (FLJI)



coming from the top are discussed and prioritised.

All the districts, thus, have their own lists and priorities of the projects. Since all the projects for all the districts could not be implemented because of resource constraints, these lists are then presented and discussed in the 'Divisional Development Committees'. There are four divisional development committees, one in each region. Some members of the divisional development committee are elected while most are civil servants, e.g., the district officers, representatives, from the CPO and the ministries, and officers from the divisional offices. The divisional development committee is the highest and final authority in each division in deciding upon and setting priority lists for projects in each division. This committee also categorises the projects into 'National Projects' and 'Rural Development Projects'. The Rural Development Projects which are also called 'Self-Help Projects' are relatively small projects which would be implemented by the divisional office, through the district office, and these would be funded from the respective commissioner's vote. Each of the four commissioners has an allocation of an annual sum, which is currently around \$20,000, for such projects. The Rural Development Projects include projects such as village water supply schemes, feeder road provisions, cemetery facilities, etc. Usually such projects get small grants from the commissioners vote while the balance is required to be raised, as a prerequisite for any grant, by the beneficiaries themselves. The 'National Projects', on the other hand, are the larger projects which require total government funding and are of national importance in their size, impact and funding. These projects are to be implemented by the ministries responsible, e.g., a national hydro-electric project would be included in the plan under the jurisdiction of the Ministry of Energy and Mineral Resources.

It must be noted, however, that despite all the provision for the choice of projects to be the prerogative of the people (i.e., bottom-up process) in practice it usually turns out that it is largely the choice of Rural Development Projects that become the people's prerogative while the choice of the National Projects, in most cases known, becomes the prerogative of those at the top. Such choice of National Projects can no doubt be perceived as representing the will of the masses; after all the politicians are the custodians of public interest. However, in reality this may not be so for various reasons. Firstly, a widespread view held by Fijian planners and politicians alike is that the masses cannot perceive the long-term advantages of development thus they are incapable of choosing national projects. Secondly, the personal interests of

some politicians or pressure groups in some cases, and ignorance of some politicians themselves can give rise to situations whereby certain projects, especially those that are proposed by foreign investors and large domestic interests, are chosen for implementation. Thirdly, the influence of 'expert economists' on decision-making is increasing in Fiji. And finally, despite all these reasons, the problem of impossibility in social choice (Arrow's theorem) remains. It may however be claimed that if the field offices of the line ministries identify these projects, the bottom-up process still operates. This may be so but only when such 'identification' results from consultation of the field officers with the masses. Such consultative institution actually is more readily provided by the prefectorial system rather than the functional system. Some problems, and major problems in that too, could arise even if the projects are chosen by the field offices but without consulting the people. One glaring example now is provided by the 'Malololailai tourist project'. One arm of the Ministry of Fijian Affairs is the Native Land Trust Board, which is the custodian of all land belonging to the indigenous Fijian population. This Board has a subsidiary called the Native Land Development Corporation. This corporation has identified and formulated a tourist project to be implemented on Malololailai Island. However, because of economic and social reasons, a lot of residents of this island do not want this project to be implemented on their island. This controversy is yet to be resolved; debate is currently fairly intense at the national level. However, by all indicators it appears that eventually the project will go on as planned especially after a snap 'education mission' for the islanders and the use of a little bit of 'traditional authority'.

One noteworthy feature, which has become more prominent after the 1982 elections, is the quest for increasing private sector participation in the economic activities. Apart from other reasons, to facilitate this, the Ministry of Economic Planning and Development was created. This ministry has four departments: The National Marketing Authority, the Economic Development Board, the Department of Commerce and Industries, and the Central Planning Office. The Central Planning Office and the Department of Commerce and Industries are more concerned with the public sector resource allocation while the National Marketing Authority and Economic Development Board are more concerned with the private sector. The National Marketing Authority, which is partially funded by the national government, is concerned with providing marketing infrastructure to the private sector while the Economic Development Board which is totally funded by the national government, tries to encourage

private domestic and foreign investment in the country. Both, these bodies have a fair bit of influence on Central Planning Office's planning strategies. Apart from such direct representation of private sector interest, it is also represented by individual ministries concerned (e.g., the Ministry of Primary Industries, the Ministry of Tourism, etc.) and of course, through the 'Rural Development Committee' network.

The third step in translating the national plan into a series of programmes and/or projects is the definition of appropriate financial policies which would facilitate attainment of plan objectives. This is done through the annual budgets, e.g., appropriate tax and trade policies, and often through ad hoc policy announcements, e.g., change in interest rates, or wage and price policies. The main institutions which are responsible for this are the 'Budget Coordinating Committee' and the 'Macroeconomic Sub-Committee'. The Budget Coordinating Committee, which was set up by the Cabinet in 1980, and which comprises the staff from the Ministry of Finance, the Central Planning Office, and the Public Service Commission, tries to ensure that the financial and staffing decisions in each year's budget estimates are consistent with the plan priorities. The Macroeconomic Sub-Committee, which was set up in 1981 and which comprises representatives from the Reserve Bank, Ministry of Finance, and Central Planning Office, is supposed to provide technical support and economic policy advice to the Budget Coordinating Committee and the Finance Minister. Actually the Macroeconomic Sub-Committee prepares current estimates and forecasts of key macroeconomic variables (e.g., the Gross Domestic Product, Balance of Payments, financial estimates, monetary survey and prices) and provides advice on appropriate monetary, fiscal, trade, exchange rate and price-wage policies. These policies are an integral part of any indicative planning; they have to be consistent with the plan objectives if national development, as per the plan, is to be attained. One important feature of these policies is that they are usually formulated to provide short-term stability in the economy; such provisions, which are in response to changing economic climate, thus can be in conflict with the national development objectives, e.g., some of the policies outlined in the 1983 and the 1984 budget estimates were counter Development Eight objectives.⁹

As mentioned earlier, the inclusion of a project or programme in a plan does not guarantee that this project/programme would be implemented. Implementation of the plan requires authorisation of expenditures. In Fiji this is done through the annual budgetary exercise, thus it is through the budgetary system that a plan is translated into action. The budgetary system in Fiji takes a dual

perspective. Firstly, it allows for the provisional indication of ongoing expenditure for three years; this in effect is a rolling budget whereby as each year passes, the projection is carried forward by one year.¹⁰ The second aspect in the annual budget cycle includes all the proposed current and capital expenditures for a year. Thus all projects, whether they be new or ongoing, are accommodated in the budget which would show the estimated levels of expenditures during the year for all the projects/programmes. The budget estimates also undergo periodic reviews and if there arises any need for adjustments in the target expenditures and revenues, appropriate changes would be made, e.g., in the early months of 1984, a 'razor-gang', whose task was to slice off bits and pieces from the original budget estimates to make way for increasing the salaries of the civil servants, was set up. This, thus, meant adjustments in the targets as per original estimates. The budgetary system thus is also an essential tool for review of plan targets and strategies especially in light of ongoing changes in socio-economic and political conditions.

In Fiji the annual budgetary system involves five inter-related and overlapping stages: setting the budget framework, design list evaluation, estimates evaluation, budget consolidation, and budget monitoring and review.

For the following year's budget, early in the current year the cabinet would set the priority areas of development. This budget guideline, which includes a priority design list and a figure on the percentage adjustment to existing commitments to allow for cost increases, would be given to the government ministries and departments. Upon receipt of this, the various departments, including the divisional commissioners office, would set their own priorities according to the guidelines. These departments would then submit their expenditure proposals to the Ministry of Finance and staffing proposals to the Public Service Commission. These proposals are to be submitted in two components. The first is that for existing commitments which is a forecast of the existing level of expenditures for the following three years. Usually the existing level of expenditure is held constant (in real terms). The second component is the new expenditure proposals, estimates of which are also submitted for the following three years. The new expenditure proposals have to be thoroughly justified and evaluated against the development plan objectives.

In the next step, i.e., the design list evaluation, the new expenditure submissions by the departments are evaluated and given priority ranking in relation to the available resources. The departmental submissions would be examined by the Ministry of

Finance, the Central Planning Office and the Public Service Commission after which the Central Planning Office would make a preliminary assessment of project priorities. Then a recommendation regarding the inclusion of projects in the design list is made by the Budget Coordinating Committee and submitted to the Minister for Finance. While the Budget Coordinating Committee is considering the preliminary assessment it takes into consideration the Macroeconomic Sub-Committee's views on the economic situation and the appropriate fiscal policy mix. Finally, the Budget Coordinating Committee recommendations are discussed and reviewed by the Development Sub-Committee and presented to the Cabinet, by April/May.

By this time, on the other hand, the current year's first quarterly review of the budget takes place. This requires monitoring of budget implementation and comparisons of actual expenditures and revenues with the current year's budget estimates. Thus a paper, called 'State of Government Finance', summarising the government's expenditures, revenues and cash position, is prepared. This is done mainly to assess the spending and revenue pattern of the implementing bodies so that adjustments in the budgetary provision and financing plans could be made as needed. Physical monitoring is also conducted together with the financial monitoring. The first quarter review and other reviews as well are very important for preparation of the following year's estimates. The next step is that of budget estimates evaluation in which existing commitment estimates are evaluated and funding recommendations made on design list projects. The project design list will be categorised into three groups: high priority projects which are adequately documented and almost certain to be funded in the budget in full, high priority projects which need more detailed evaluation and documentation or some design changes, and others. The Central Planning Office then makes recommendations to the Budget Coordinating Committee on final budgetary allocations to the design listed projects. The Budget Coordinating Committee will consider these recommendations in light of a revised set of estimates and forecasts of economic situations prepared by the Macroeconomic Sub-Committee. Thus the appropriate levels of expenditure for existing commitments and for new projects are determined and submitted to the Development Sub-Committee and later to the cabinet.

By now the time for half-yearly budget review arrives. This review also indicates more changes in the budget estimates.

The final step is the consolidation of the budget for its presentation to the Parliament in early November. The final version of the budget is printed after the cabinet and the ministries make final revisions in light of the up-to-date economic background. The

consolidated budget then goes to the cabinet, sometimes in September, for approval. After the approval by the cabinet, the consolidated budget is considered in light of latest developments in the economic climate and the third quarter budget review and the final revisions made. After the final cabinet approval is given only the cabinet has the powers for further revision. The estimates are then presented to the Parliament.

Therefore the budgetary system authorises government expenditure which gives the green light of the development plan implementation. As such it is seen that the National Projects are implemented by the government ministries/departments while the Rural Development Projects are implemented by the Divisional Commissioners office with the assistance of the district offices, provincial councils and advisory councils.

Plan implementation requires close coordination among the agencies involved. The Central Planning Office is one essential body which tries to provide this function.

The Central Planning Office also plays a crucial role in plan monitoring and review. Actually it continuously advises the commissioners on Rural Development Project, and the ministries on National Projects. In the meetings with the ministry officials, and in the District Development and Divisional Development Committee meetings, progress reports of ongoing projects are presented by the implementing authorities. These reports are discussed with the view of ensuring smooth implementation. The national projects, especially, need much tighter monitoring, for the failure of a national project has implications for the plan performance.

The burden of actual monitoring of the national projects lies on the ministry responsible. However the Central Planning Office coordinates such monitoring of projects. The Central Planning Office has what it calls 'link persons', each of whose function is to liaise with a specified ministry and report to the Central Planning Office, and give professional advice to the implementing authorities.

The role of link persons is important in that they facilitate project monitoring and such project monitoring provides the Central Planning Office the basis for plan monitoring. Plan monitoring in turn provides the basis for plan reviews. In Fiji during the early years of the current plan period, it was intended to hold yearly reviews of the plan. However only one yearly review--that of 1981--took place. The next review to be completed was the mid-term review. It is now believed that though monitoring, especially since it is important to have up-to-date information on sector performance for the next plan, and adjustments in target would continue; no further

annual plan reviews would take place. Firstly, there is a time constraint in that after the middle of the plan period, discussion regarding the next plan starts thus the planners become too involved with the forthcoming plan to care for annual reviews of the existing plan. Another associated reason is the lack of adequate skilled planners. However the adjustments in plan targets is an essential feature of the Fijian planning system. Firstly, it is important to note that the plans in Fiji are not rigid blueprints; major socio-economic and political changes in Fiji's main trade and aid partners abroad, and the general economic fluctuations internationally affect the Fijian internal economic performance. Secondly, private sector performance, which cannot be planned by the government, and private sector confidence affects plan performance. Thirdly, exogenous factors, e.g., climatic changes also affect plan performance. These factors make it essential that adjustments in plan target and strategies and, in cases of plan emphasis, be continuously made.

Ex-post plan evaluation in the true sense of the term does not take place in Fiji. However while a new plan is being prepared, the existing plan expectations, performances, strategies, and objectives are thoroughly evaluated, for example for the ninth plan (1986-90) the eighth plan is being thoroughly evaluated up to 1984.

CONCLUSION

Development planning in the South Pacific Region is a relatively new phenomena. Most of the smaller island nations got in the development planning bandwagon around the time of their constitutional independence from colonial powers. In countries where some form of development plans did exist during their colonial days, these were more often results of the colonial powers' perception of development rather than results of the masses' aspirations. After formal independence, however, most of these countries remain dependent on the metropolitan powers for aid, investment, markets for output, and for other economic and non-economic policies. Such dependence, which is a natural outcome of colonial and neo-colonial policies, coupled with heavy emphasis on development through capitalism, small size of these countries, and their tropical environment, necessitate that development plans remain flexible and indicative tools for attaining development. Thus if we in the Pacific worked the hardest possible, development may continue to evade us for some foreseeable future even if our plans become more and more complex and voluminous, and administrative structure more and more facilitative of plan implementation.

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Some Aspects of the Soviet System of Planning

K.K. DASGUPTA

THE PURPOSE of this article is to posit some of the essential features of the present-day Soviet system of planning. With the emergence of different models of planning in the course of time, irrespective of the social systems in which these are operational, attempts are made in the literature on the subject to identify a planning type merely with the elements that comprise the structure of such a plan. As a result, we hear of 'centralized planning', 'self-management planning', 'planning programme of market economies' and so on. While this approach performs a reasonably satisfactory explanatory role, the relationship between the social system within a country and the plan type provides a broader basis for understanding any planning mechanism.

HISTORICAL ESSENCE OF TYPOLOGY

To define the typology of the Soviet planning system, the uniqueness criterion cannot be applied over the entire span of planning in USSR beginning from the later half of 1928 till today. The model changed in response to changed structural configuration of the economy and corresponding political response to this change. From epistemological point of view, an evolution of plan typology in time is a reflection of a 'positive level of history', i.e., a historical process in which the model changed in response to changed circumstances, at the same time retaining some essential structural components.

A necessary determinant of typology of economic planning is the social system whereas the sufficient condition is the capability of the political superstructure or the state organ to implement the planned tasks. When USSR embarked on the planned development of her economy in 1928, it was also an attempt, albeit the beginning of a continuous one to overcome the heterogeneity in the relations of production of the NEP period (middle of 1921 to the middle of 1928). So was born what came to be designated in terms of typology as the

'Centralised Command Model' of economic planning, the first ever attempt in the conscious determination of the path of economic development challenging the reign of the 'invisible hand'. The conditions for its realisation, that is, of the set of macro-social objectives determined *ex-ante* were inherent in the Soviet social conditions that were created during the Stalin era. A 'command' type of central planning suited best to the circumstances.

The reader might recall the preoccupation of the Soviet leadership in this period with the question of 'accumulation'. The theoretical issues that cropped up in the famous industrialisation debate of the twenties (in the second half of NEP) before the First Five Year Plan centred mostly around the all important question of 'accumulation'. Later, the tyranny of 'complete collectivisation' programme of Stalin launched immediately after the Plan, was aimed, besides the political imperative, at partial fulfilment of this task of accumulation by a swift transformation of relations of production in agriculture. Soviet society of this period with a powerful political superstructure never hesitated to use its instruments of coercion. This situation was ideal for a 'command' type of planning in which the task of management of the economy at all levels had to be performed by directives alone. However, the contradiction between the 'extensive' path of development (in which material and labour inputs only led to output without much consideration of productivity of labour and improvement of technology) and need to accumulate led the population to what Ludwig von Mises described as 'a level of glory through deprivation' in spite of rapid industrialisation.

BASIC ECONOMIC LAWS OF SOCIALISM AND PLANNING

In the present stage of the Soviet planning system, especially since the reform in the middle sixties, the planning model has undergone significant changes, at the same time retaining some elements of continuity. The command element has been abandoned to a large extent whereas the element of centralisation has very much remained. With the weakening of the command element within the framework of centralised national economic planning, the corollary element, that is, decentralisation in the matter of decision-making became very powerful. This is a development of the present phase pertinent to the changed circumstances in which the leadership claims that there is a dialectical unity between centralisation and decentralisation in the planning process.

It is claimed by Soviet scholars that the theory and practice of planning have been derived from the basic economic laws of socialism

as the conceptual foundation. Planning entails determination of paths of proportional development consciously by purposive macro-social actions. So, the 'law of planned proportional development' is a basic economic law of socialism. The most important requirement of this law is to ensure balance in the whole process of production in all spheres of the economy. As will be evident later, this balance is the starting point of formulation of national planned tasks because "in a macro-economic plan, balance is achieved above all by coordinating production and the supply of materials and technical equipment, the growth of working people's incomes and the production of consumer goods, as well as the volume of services that have to be paid for, etc. In this respect it is important not only to coordinate the basic proportions in quantitative terms but also to achieve the maximum correspondence in their structure".¹

The question of accumulation and development of a socialist economy conceptually is connected with "the Law of Precedence of the production of the Means of Production over Production of Means of Consumption". It may be recalled that Marx in his Volume II of **Capital** while presenting the Reproduction Scheme of a capitalist economy posited production of department II (articles of consumption) as dependent on the production of department I (capital goods). Success of planned accumulation depends largely on the development of the capital goods sector because it entails improvement of technology and labour productivity, the basis of an intensive path of development. One of the most important tasks of Soviet economy in the post-reform period has been to establish and consolidate this path. In the final analysis, accumulation is a function of the economy's capacity to generate surplus-product which is again a function of efficiency in the planned production process; hence the importance of the law.

The Law of the Economy of the Time is extremely important. It is argued by socialist planners that enterprise autonomy and profitability as the most important synthetic criterion of efficiency of enterprise management and also material incentives, are some of the innovations of the present-day planning which conform to the Law of the Economy of the Time. The major question of the Soviet system of planning today is related to means for ensuring global efficiency. It is the most important requirement of the time. The three elements mentioned above are part and parcel of micro-level planning and constitute the precondition for efficiency. The controversy whether these preconditions which are similar to those in market economies could well be the reflection of an important economic law of socialism has been resolved with the affirmation that certain instruments of economic efficiency are supra-institutional. One might recall

Liberman's emphasis on this point in his polemic against the orthodox theoreticians.²

The reform brought in its wake a change of attitude of Soviet leadership towards exact nature of commodity-money relationship in a planned socialist economy. The applicability of 'Law of Value', another fundamental economic law of socialism was examined. It is now believed that as long as a planned market exists, money and price have important roles to play in planning. So, the law of value cannot be kept aside as something alien to the socialist system. Instead of creation of value by spontaneity, planning acts as the creator of value (with some exceptions) in this system. It has to be emphasised that these and other basic economic laws of socialism, the latter including the law of continuous improvement of living standard of the population constitute the necessary foundation for identifying the efficiency criteria of planning.

THE GENERAL METHODOLOGY OF MACRO-ECONOMIC PLANNING

All economic plans in socialist economies are comprehensive in character. However the long-term or perspective plans which are in essence planning programmes in selected areas are not comprehensive. A five-year or an annual plan of USSR embraces all the branches, sectors, spheres and regions within its ambit of formulation. No economic activity, save the particularities associated with planned tasks that cannot be planned macro-socially could be outside the realm of formulation of plan. This comprehensive character of the binding medium term and annual plans also provides what Bornstein has termed 'intensity' and 'completeness' in formulation and implementation of planned tasks.³ This essentiality of socialist planning makes its typology quite distinct from that of market economies even with wide power of intervention by governments.

There exist two distinct instruments of planning, namely, obligatory binding planned tasks at all levels on the one hand and economic levers or indicators, like prices, profit, wage fund, credit, etc., on the other. In the case of the former, since the reform the number of binding planned tasks on the enterprise has been considerably reduced and the role of economic parameters like cost, price and profit has become extremely significant as a means to efficiency through devolution of economic power. Instead of more than two dozen binding plan coefficients transmitted to the enterprises in the past, at present there are only nine which include volume of sale (*realisatsiya*), product-mix, wage fund, profit mass and level of profitability, capital charge, volume of centralised investment, projected gestation period of centrally financed projects, tasks of

technical improvements of enterprises and material and technical supplies by the centre.⁴

In the literature on economic planning in the West the Soviet model is characterised as a vertical type of planning in which the draft plan elaborated and formulated by Gosplan, makes its downward journey via the sectoral or regional pillars of planning to the level of 'obyedinenie' (association in most cases) and enterprises (the former pillar is headed by the ministry and the latter by the republican government). At every level, the discussion on obligatory planned tasks takes place and the problems associated with technical and material supply are examined and decisions arrived at. The enterprises, associations and combines (both could be 'obyedinenie') and even sectoral ministries in consultation with their main departments (*Glavki*) have to place requisitions of supplies (*Zaiavki*) to the *Gossnab* (the state supply organisation). The associations and enterprises, however, have a right of 'counter-planning', that is, the managements are entitled to offer an improved or enlarged version of the relevant plan part, if they considered that the fulfilment of the improved tasks was definitely possible.

The final stage in the formulation of planning arrives when the broken down components of planning in both the regional and sectoral pillars start their 'bottom-up' journey from the association, enterprise, institution levels to the highest level via the sectoral ministries and republican authorities. The finalisation of the plan tasks by the micro-organs is followed by what is known as 'address of the plan' by which the management of a micro-organ defends its own plan to the higher administrative organisation for economic management. When the elaborated and agreed plan reaches the council of ministers via the planning commission, it is enacted as a law and then becomes binding on all citizens of USSR.

If we looked into this part of the process of plan finalisation in the post-reform period, it would be difficult to discern a distinction in the process from that of the pre-reform days. In the Khrushchev era, the tutelage of sectoral ministries was removed by the establishment of '*Sovnarkhozy*' (regional economic councils) for better planning and management of the economy. But the process of plan formulation and finalisation remained the same as in the pre-Khrushchev era and what 'appears' to be the same even today from the description in the preceding lines. But according to the claims in USSR and East European countries, there has been a marked improvement in the application of democratic centralism in planning. In the past, centralism was the only basis in which democracy virtually gave way to command whereas at present the 'discussion phase' on

draft plans not only involves the sectoral and regional economic organs but also trade unions, party organisations at all levels and the working people inside each organisation. This is one side of the picture.

On the other hand, at every stage of planning since the reform, the element of horizontal linkages has become very important. For example, the planning task of a sectoral ministry A, may have to consider the capability of another sectoral ministry B for fulfilment of the tasks. This could be possible through horizontal exchange of information. This is a case of a horizontal linkage in which the two-way information flow is an important pre-condition for the success of the plan implementation. At the enterprise level, the lowest rung in the planning ladder, the results of discussion on plan tasks always arm the members of the higher echelons of planning with data for finalisation. Also, the 'counter-plan' or the improved plan formulated by the enterprise itself is an important constituent of decentralisation. There are of course charges especially in the commentaries of western scholars, that enterprise management, for fear of receiving higher unmanageable targets, conceal the production potential in their reports to the higher organs of economic management. As a result, the reserves of materials, inventories and works in progress are reported at a lower figure both in physical and value terms.⁵ From this angle of vision, 'counter-plans' are not actually improved plans according to the production potential of the enterprise but rather a plan manoeuvre for recording greater than expected attainments.

For the success of enterprise plans, the role of horizontal linkages has become very pronounced. In the past, the requisition for material and technical supplies (*Zaiavki*), its acceptance and ultimate supply to the enterprise by state organs of supply, and then the directed supply of the output to the users were two fundamental phases in the successful implementation of micro-level plan tasks.⁶ But the very fact that 'contracts' between producer and user enterprises for disposal of output (*realisatsia*) are taken as important instruments for plan fulfilment at the present phase the horizontal component in the structure of planning cannot be doubted. Also prior 'agreements' between economic organs at the same level of operation, that is, enterprise to enterprise, association to association for finished, semi-finished and even materials (usually from mining enterprises or associations) provide a similar horizontal link. During a recent visit of the author to Soviet Union, he was told that in the present system, nothing prevents an enterprise from starting negotiation with other enterprises with the knowledge of the appropriate planning body, for input requirements and

disposal of output. In the light of this practice, the claim of Soviet leadership of the practice of democratic centralism in planning cannot be ruled out simply as a propaganda stunt.

INSTRUMENTS OF MACRO-ECONOMIC PLANNING

The two instruments in the elaboration and formulation of macro-economic plans are balance or the input-output method and the method for optimising plan decisions to ensure efficiency.⁷ However, before the actual compilation of plan tasks with the help of national economic balances and optimising decisions are undertaken, strategies and approaches to the plan(s) in politico-economic perspective and also priorities have to be determined. A debate has been going on in USSR and elsewhere as well for quite some time regarding the politico-economic foundation of planning and the technical foundation of its development, efficiency and consistency. Although, the outcome of the debate has not been decisive, yet it has not been denied by advocates of either trend that both are essential for planning.⁸

In the balance or input-output method, the important national economic balances in the form of physical output, manpower and financial input-output tables are worked out. There are two very important objectives for this effort; first, there has to be a coordination between physical and value proportions and secondly, between social needs and resources that could be made available for the particular plan period.

The material balances or the input-output tables of physical output (e.g., aluminium, steel, electricity, etc.) provide the basis for an understanding of the structure of the economy in a given period and the linkages existing between different branches of production. This is essential for working out through the iterative method the balances needed for expansion of planned economic development. It is interesting to note that Marx's reproduction scheme in Volume II of *Capital* in which he presented a three sector model of proportions and growth of national economy, is the conceptual and practical basis for formulating material balances in USSR.⁹

It may be mentioned that around three hundred material balances are constructed to elaborate a five-year plan. After matching the supply and requirement of the economy in every area, the discrepancies are removed either by continuous iteration if there is a 'taut' plan provided possibility of its fulfilment exists. The other alternative would be to accept a relatively 'slack' plan in which the strain on the economy could be minimised. Because, in the case of discrepancy between available input and requirement of output in

the given and anticipated modification of the technical coefficients, if the ministry advises enterprises or associations to use less inputs because of constraints it would only mean less output and hence a 'slack' plan. Some of the discrepancies of material balances are rectified by Gosplan "by partial reallocation of capital investments between sectors . . . by altering the timing of completion of new productive capacity, the volume of output and of consumption and changing other elements in the balance. As a result at the final stage one has mutually consistent balances of the most important items of production, with the resource potential brought into line with the needs of the national economy."¹⁰

The financial input-output balances provide a picture of the given and the expected levels of generation and distribution of national income (NMP), then its further breakdown into accumulation and consumption. Also the sectoral and regional breakdown of financial balances show the incomes accruing to enterprises and institutions. Finally, the planned income and expected expenditure of the state and the population are worked out in these balances. It is needless to say that there is a close organic link between balances of physical output and financial balances.

Manpower balances equip the planners with the correct picture of available manpower at a particular point of time along with its requirement. Manpower planning is an important area of long-term planning because a particular target of labour force with varying but necessary qualification structure requires a period longer than the usual time span of a medium range plan. But the available manpower during a plan can be computed and a balance compiled.

The three balances of physical output, values and manpower have to be coordinated during planning as a necessary condition, otherwise a bottleneck may arise by deficiency in one or the other. In the process of coordination as well, the iterative method involving the three balances is applied until a set of balanced and coordinated planned targets are arrived at.

Maximum efficiency of a plan variant is the desired objective of the planners. As a result, while formulating macro-economic planned tasks efficiency indicators are used as criteria of optimisation. In actual practice there are a number of such indicators like capital-output ratios, cost normative, efficiency indicator of national income in relation to fixed and working capital and labour and so on. In symbolic terms the third criterion could be expressed

as:

$$E = \frac{\text{NMP}}{\alpha K_1 + \beta K_2 + \gamma L}$$

in which NMP = net material product,

K_1 = fixed capital,

K_2 = working material capital,

L = number of workers engaged in material production, and

α, β, γ are coefficients in indivisible units.

The basic question in optimising is that the variant that is chosen is the most efficient. But during the time of plan formulation several variants are considered with respect to their effectiveness. As one author has pointed out, the variant chosen may not be the optimum variant because the latter may lie outside the range of the variants taken into consideration.¹² The other important question is: what is the most important criterion for optimality in planning? The answer to this question has not been properly found. The operational criteria of efficiency mentioned above (there are many others) are used for optimising the plan variant that is chosen. There is, however, a conceptual difference between optimisation of planned tasks through calculation of efficiency applying the iterative method on the one hand and optimum planning as such on the other.

For some time especially since the reform the optimal solutions are being computed by mathematical programming methods through the use of computers. By this method a number of possible solutions could be obtained which help in choosing the optimum variant in the given set of constraints. Also, programming can tackle problems of balancing.

THEORETICAL ISSUES IN OPTIMAL PLANNING

Without going into the contributions of Kantorovich, Novozhilov, Nemchinov, Birman and others in the building up of the whole idea of optimum planning and its inherent logic of operation, for brevity's

sake only the basic issues of optimum planning would be laid bare. The three basic requirements of an optimal plan suggested by Fedorenko in a discussion in the immediate post-reform period were: (a) uniqueness of the economic criterion of optimality (**narodno-khoziaistvennoi kriterii optimal' nosti**). This conforms to the basic economic law of maximum satisfaction of human needs in socialism, (b) allocation of scarce resources as an important task of optimality, and (c) the existence of the hierarchical structure of planning and management of the economy.¹³ With the acceptance of: (a) as an essential requirement of optimality, the political economic foundation of national economic efficiency has been strengthened. Because, the ever-increasing satisfaction of human needs in the present phase of socialism has both a quantitative and a qualitative dimension. In the quantitative side an optimising decision of planning by a choice of relevant targets could be reached with the help of programming. On the qualitative side, as N.A. Tsagolov has pointed out, one important basic economic law of socialism of today is the law of maximum satisfaction of needs of the population and the society. One of the basic tasks of the leadership in USSR in the present phase of planning is to ensure this condition through planning.

A basic assumption in optimal planning is that a socialist economy is a 'consciously optimised system' based on socialisation of the means of production. Therefore, planning entails arriving at 'computable optimum plan'. In spite of accepting continuous improvement of the level of satisfaction of population and society as the conceptual basis, the main problem lies in identifying this optimum at the operational plan. There are number of suggestions on this in Soviet literature. First, it is argued that a given output at a lower cost with improvement of labour productivity should be the basic goal. Secondly, the 'maximization of total social utility' is regarded as the necessary condition for the optimum. However, how total social utility could be measured has not been very well pointed out in the literature. If it is a question of increase of social consumption including more leisure and recreation the problem of quantification remains because satisfactions deriving from these are not commensurable. Thirdly, maximisation of rate of growth of net material product is also advocated as a condition for optimal planning. There is a basic theoretical and practical question related to this criterion as satisfaction even in quantitative terms do not rest on material products alone. It depends to a large extent on the development of non-productive sector as well. Also, without a proper balance between accumulation and consumption, (individual and social) a proper satisfaction cannot be ensured.

It appears that optimality cannot be defined in practical terms in a unique way, in other words, there are multiple choices for optimality. This begs the question; could there be one planned variant which will optimise multiple choices to produce a synthetic optimum? This is possible but the process of synthesis takes away some elements of optimality in any particular choice. But as pointed out later, optimality does not entail maximisation of all the criteria in condition of multiple choices. It was also debated whether an 'optimal pricing' which considered 'opportunity cost' in a condition of planning where detailed specifications of 'norms' and 'normatives' like requirements of materials for a particular product, etc., were absent and relied more on 'market' conditions without ignoring the normative content of planning could be the answer. As the position stands today this method is non-operational.

As a result, the Soviet planning system is characterised by the inclusion and application of a number of efficiency criteria which are the basis of optimisation. As indicated above it is very difficult to derive a single practical basis for optimum. As Tsagolov has pointed out in the discussion referred to earlier that the basic objectives of planning within the framework of basic economic laws of socialism are increase of final output, growth of labour productivity, improvement of the level of satisfaction, widening of the social division of labour in a condition of hierarchical structure of the economy. As a result, efficiency of planning depends on identifying a methodology which satisfies all the above requirements in which some are purely technical in nature and some are political-economic issues. Whereas a satisfactory solution of the former set of objectives could be found through mathematical programming, the second set embraces normative questions. As a result, the final plan is always the synthesis of these two complementary dimensions.

It may be pointed out that an optimum variant of plan which considers many faceted optimality could be arrived at by mathematical programming. Optimality in the ultimate analysis means a desired result from multiple criteria. On the other hand, planning on the basis of single criterion of optimisation will have to embrace only the maximisation principle which in reality is indifferent to other criteria of optimality. Also, in a task of maximisation, the political-economic element may be totally ignored. It is interesting to note the observations of Birman and Novozhilov in this connection. In 1968, Birman concluded that "rigorous centralised planning and management, after all the details are worked out and plan formulation is completed at the central level, are hardly desirable, even if they were feasible. Economic activity is the activity of the people and it is foolish to deprive them of the

possibility of demonstrating creative initiative and independence".¹⁴ Novozhilov also argued more than once that the optimisation of planning is concerned not merely with the choice of the best among feasible plan variants, but also with the heightening of the relations of production in socialism.¹⁵

FEATURES OF MICRO-LEVEL PLANNING

As mentioned earlier, the economic levers like price, cost, profitability, etc., are the instruments of efficiency for the micro-organs of the economy like enterprises and in many cases associations. A distinctive feature of Soviet planning system is the *Khozraschet* principle that is associated with the working and management of enterprises. According to this principle the enterprises have to plan production and its disposal subject to the constraints set by the planning mechanism from a 'profit and loss' consideration. The purpose of establishing the strict requirement of *Khozraschet* is to ensure efficiency in production like reduction of cost so that a surplus could be generated. Also, the enterprises are regarded as separate legal entities with their independent banking and other accounts. Although the principle was put into practice originally in the days of the 'Centralised Command Model' the very fact that fulfilment and overfulfilment of physical targets were the only indicators of efficiency of enterprises, the issues like cost reduction, quality improvement and others did not make any impact on enterprise management. With wider autonomy in decision making at the enterprise level since the reform, the theory and practice of *Khozraschet* could be brought into unison.

As mentioned, since the reform the number of obligatory tasks of enterprises have been drastically reduced and importance of economic levers has increased. But there are certain areas of production which fulfil what could be designated as 'national techno-economic tasks' fall within a new type of priority planning. The main area of priority is in the production of goods in both departments I and II which are regarded as symbols of technological advancement and/or contribution to this advancement. Naturally, an assortment of commodities with these peculiarities is likely to be exportable and would also be an indicator to the world of the economy's level of modernity. For fulfilment of these tasks the enterprises and associations receive obligatory tasks from the sectoral ministries and enjoy less autonomy than the enterprises who are not performing 'national techno-economic tasks'. Of course, these enterprises and associations also operate on the basis of *Khozraschet*.

The most important present-day criterion of enterprise efficiency is 'profitability' (rentabel 'nost') and 'profit mass', the former is the ratio of the latter in respect of the fund of fixed and circulating capital. In the recent set of indicators or coefficients that are used for production planning at the micro-level, an important set relates to the distribution of final profit to three important funds. They are: (a) production development fund, (b) socio-cultural fund, and (c) material incentive or stimulation fund.

In the process of plan formulation and finalisation the role of norms and normatives becomes extremely important. Norms are coefficients and indicators of state plan. When these are defined by council of ministers or the central state organs they are called 'normatives' and become obligatory indicators. These are extremely important guides to efficiency at the micro-management level, i.e., for enterprises and associations. Important examples are cost-normatives which indicate what should be the average cost structure of a particular output. Another important normative relates to the proportion between live labour (wage) and congealed labour (use of machines and materials) that have to be maintained in a particular production plan. Also, the share of the funds mentioned above in relation to the actual profit-mass generated by an enterprise in a condition of Khozraschet is also an indicator and a norm. The micro-organs of management have to utilise these for efficiency for avoiding bottlenecks in production planning. For example, in the total investible funds a part comes from the budget to the enterprise and the other part is taken from production development fund. The volume of the latter depends on the profit of the enterprises which is based on cost normatives. Therefore if the required efficiency cannot be ensured there is a chain reaction.

TIME HORIZON OF PLANS

As has been pointed out, the time span of planning of USSR could be classified into medium range plan, the annual plan and the perspective plan or long-term planning programmes. Plan as Law is strictly applicable to both the medium range plan (usually a five-year plan) known as the 'National Economic Plan' and the annual plan. The annual plan at the time of formulation, usually a few months before it becomes effective takes note of the tasks elaborated and accepted in the annual part or slice of the five-year plan for the year in question and then introduces modifications and improvements in this in response to performances of the economy and necessity of modification. This plan also follows the same path of democratic centralism before it becomes binding as a law.

The perspective plan or the long-term planning is strictly a planning programme and not a 'plan' as such. Technically speaking, the expression 'the long-term plan' is not correct if one accepts the basis of the Soviet planning system. There are two specific reasons for this conclusion. First, the 15-20 year planning programmes are never comprehensive, rather they are always partial in character like the housing development planning programme of Soviet Union for the next 15 years or so by which time the leadership hopes to solve not only the problem of accommodation of the working people but also hopes to succeed in achieving 'need based housing'. Other important examples of long-term planning are, development of science and technology for production as a precondition for scientific-technical revolution, production of petro-chemicals and so on. Secondly, the perspective plan is not strictly binding as law. The part of the programme which comes within the ambit of a particular five-year plan becomes binding obligation.

PLAN, ANALYSES AND PROGNOSES

For choosing the plan variants, both medium-term and long-range, some instruments of analyses for projection, forecasting and also monitoring are employed. They are: **macro-analysis, component-analysis, key-analysis, plan-analysis and prognoses**. In all these, statistical evaluation constitutes an important part. Macro-analysis deals with economy as a whole or a particular branch or sector, and achievements are evaluated in relation to projected performances. The component analysis examines the national economic process in vertical and horizontal combinations whereas the key analysis mainly concerns itself with limited objectives like the rate and growth of net material product over a period of time. Plan analysis is the basis for prognosis of future long-range development. Sometimes a distinction is made between prognosis and long-range forecasting. The latter is regarded as the outcome of time-series analyses with extrapolation as the basis of forecasting in which the likely changes and uncertainties other than admissible stochastic elements are assumed away. In prognosis, corrections due to expectation of changes in economy are incorporated for prediction of future results.¹⁶

PLAN AND SOCIALIST ECONOMIC INTEGRATION

With the progress, according to the leadership of USSR, in the development of Socialist Economic Integration of the member countries of CMEA, the national economic plans of USSR have to be

coordinated with that of other member countries at the time of its elaboration and finalisation. This applies especially to joint projects like *Inter-chim* with GDR in chemical industry and technology. Also the series of bilateral agreements that form the basis of Intra-CMEA trade have to be taken into reckoning in the National Economic Plan. For, the commodities obtained due to bilateral agreements become a part of the domestically available net material product. A projection and planning of the quantum of commodity-balance (the difference between the volumes of imports and exports) is an important element in the structure of planning. The same type of plan figures are included in relation to the trade of USSR with advanced market economies and the developing world but in the case of the former strict barter agreement of a bilateral nature is rare.

In spite of acceptance of the programme of socialist economic integration of CMEA member countries there is no place for joint national economic planning in theory and practice because the CMEA does not have a supra-national character. As a consequence there are joint partial planning programmes but not joint-national economic plans of a comprehensive nature. The methodology, instruments and structure of planning in each country conform to this requirement.

THE FUNDAMENTAL FEEDBACKS

The fundamental feedbacks for national economic balancing for medium range plans and long-term planning are as follows:

After the decision on the rate of accumulation, the required investment from available national income (which is computed from production in the material or productive sphere only, as the non-productive sphere, i.e., services of all descriptions like health, education, administration are not components of national income) on material sphere depends on the net output available in different branches and sectors. Depending on the availability of investment goods from department I additional macro-social requirement induces additional investments in this department. In the process, there is a feedback linking production with individual and social consumption as pointed below. An increasing activity in department I automatically induces an increase in production in department II (articles of consumption which include both articles of necessity and luxury and semi-luxury goods). There is a simultaneous increase of demand of these goods because of increase in wages and more employment from that section of the population which is entering into gainful occupation as unemployment in general is non-existent in the Soviet Union. Since the prices of articles of necessity are almost stable

over a long period of time in USSR, the impulse of the increase in demand is transferred to the production level without a corresponding rise of price of essential commodities. In the case of articles of luxury, the demand increases usually with a change in the prices of these goods. The material production sphere responds with larger production. Simultaneously, the disposable income of the working people for individual consumption increases. This provides the feedback which links production and consumption in department IIa (articles of necessity) and department IIb (articles of luxury - to use Marxian classification strictly). The commodity balance, (import less export) which is an important component of 'domestically available national income' is the basis for planning imports of the subsequent period(s). Depending on the nature of this balance, a decision has to be taken regarding the extent of export promotion. Consequently, the two departments of production along with specific branches and sectors receive the feedback and within the framework of planning have to link different areas of planning at different levels.¹⁷ An increasing demand for social and collective consumption for greater satisfaction of needs of the population (one of the objectives of national economic planning) induces greater demand for production in department I (equipments, buildings, sanatoria, recreation blocks, laboratory equipments, armaments, etc., for health, education and defence services) and also in department II (a and b) for satisfying the consumption needs of additional manpower in the non-productive sector.

CONCLUDING REMARKS

There is no doubt that in the evolution of the planning system in the Soviet Union, the crucial issue of the unity of political-economic goals and methodological refinement of the structure of planning have received proper attention. Also, socialist principle of creative participation of the working people for fulfilment of plan through decentralisation of decision-making has been given considerable importance in the present phase of planning. But decentralisation, an avowed objective of reform does not seem to have been firmly established in practice in USSR as in some East European countries like Hungary and Czechoslovakia. The purpose of planning in socialism is to ensure an all embracing economic rationality but this rationality is simply neither abstract nor merely technical in content. The participation of the working people with proper devolution of economic power to them is a necessary condition for achieving this. It is hoped that in the further evolution of Soviet planning, the economic subjects will have

greater and fuller role in both formulation and implementation of planning.

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The Soviet Planning System

Some Reflections

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THOUGH FORMALLY planning in USSR began as early as 1920 with GOELRO plan, the First Five-Year Plan (IFYP) was launched in the autumn of 1928. What were the objectives of the IFYP and were they achieved? To answer these questions, it might be useful to begin by examining the basic problems which the Soviet economy faced at that time. Putting it very simply, the problem was to industrialise the country as fast as possible, which, therefore, implied a significant step-up of the rate of accumulation. More formally, this meant an increase in the rate of accumulation in the so-called capital goods industries, and in the sectors producing raw materials for it (e.g., steel, coal, and power), and the adoption of capital-intensive techniques of production.

The actual process of Soviet industrialisation, by and large, responded to the above model. The story of Soviet industrialisation is by now, so well-known, that it will suffice to recapitulate only the bare essentials of it.

At constant 1928 prices, the rate of accumulation rose from a modest 14 per cent in 1928 to 44 per cent in 1932 and stabilised round 35 per cent during the Second Five-Year Plan (1933-1937). Almost three-fourth of this accumulation went into the so-called 'capital goods' industries. In Yevtushenko's words, this period was characterised by literally "building power-station after power-station". Thus the base for the USSR becoming a mighty industrial giant, which a few years later, enabled it to smash the Nazi bid for world power, was laid precisely during this period.

While the story of Soviet industrialisation is well-known, the question of its financing continues to remain controversial. According to the conventional western theory, Soviet industrialisation was achieved at the expense of the peasantry. A careful theoretical and empirical analysis, however, shows that the process was a more complex one, i.e., the burden of accumulation fell on both the peasantry and the working class. Elsewhere, I have analysed this process of accumulation in detail--the basic result is that Soviet

industrialisation was a process where the Soviet working class contributed towards almost two-thirds of the total accumulation fund. Needless to say, this result is at variance with the conventional theory on the subject.

To sum up: Soviet planning in the 1930s was 'crude' but 'effective'--it 'solved' the fundamental problems of accumulation and growth in a backward socialist country surrounded by 'hostile imperialist powers'. As Deutcher has remarked: "Stalin lifted Russia out of its barbarism by barbaric methods." However, while the achievements of the Soviet planning system were considerable, by the late 1950s and 1960s contradiction of a new type started emerging in the Soviet economic system.

SOME PROBLEMS OF THE SOVIET ECONOMY AFTER 1965

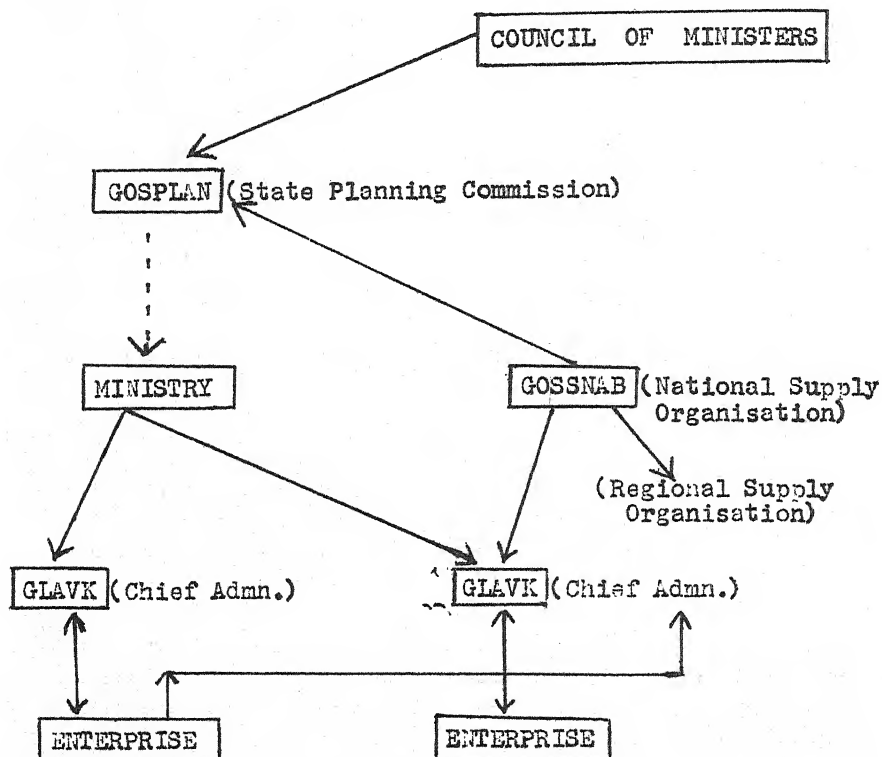
The contradictions of the system of planning and management that had been instituted in the 1930s manifested themselves both at the macro and micro levels. Regarding the former, this reflected itself in declining growth rates, increasing capital output ratios, high rates of wasteful accumulation, etc. There are basically three elements of waste in investment planning--over-investment, *osvoenie*¹ and *rasplenie*². Recently, some Hungarian economists have incorporated the above elements of waste to formulate a theory of investment cycles in a socialist economy.

The problems at the micro-level are largely explicable in terms of the **functioning of the economic mechanism**³ in USSR. Though by now, fairly well-known it might be useful to list some of the major problems: (i) the problem of fluctuation in supply (*perboi snabzheniya*) of raw materials, capital equipment and labour for different enterprises. For example, because of the erratic supply approximately one-fourth of working time is lost in Soviet factories. The problem of supply arises largely because of the growing complexity of Soviet planning - i.e., coordinating supplies from the Centre (e.g., *Gosplan* or *Gossnab*) to the enterprises via the respective ministers. Consider the following organisational structure of Soviet planning which shows how complex the task of coordination can be.

It would hardly be an exaggeration to say that no planning system in the world has worked out on iterative process which, given the above structure, would converge within a reasonable period of time. Use can, of course, be made of computers and mathematical methods of planning--we shall return to this problem later.

Other problems at the micro level include the phenomenon of production according to plan rather than production for use (e.g.,

Chart 1 THE ORGANISATIONAL STRUCTURE OF THE SOVIET SUPPLY SYSTEM



Note: The dotted line indicates lack of a direct executive authority of Gosplan over the ministry.

if the planning target for cloth is specified in millimetres, it is made unusually long, lorries run empty to fulfil the plan, chandeliers are made so heavy that the roof collapses, etc.--such 'anecdotes' in Soviet parlance can be multiplied), the operation of an irrational dual price system⁴, the phenomenon of storming the plan⁵ and, planning from the achieved level (it is said that a wise enterprise director never fulfils a plan 120 per cent but only 104 per cent, so that in the subsequent plan period he gets a soft plan to fulfil). More formally, this reflects the struggle between 'tautness' (on the part of the central planners) and 'softness' (on the part of the enterprise).

The inefficient functioning of the **investment mechanism** to gether with the **economic mechanism** is one of main causes of shortages in a socialist economy--the USSR in particular. It is important to note that the phenomenon of shortage **today cannot** (repeat **cannot**) be explained in terms of the traditional Marxian idea of the low level of development of the productive forces or that the expenditure on defence imposes a crushing burden on the Soviet economy. While the latter is undoubtedly an important constraint, it should be pointed out that Soviet agriculture is today one of the most heavily subsidised sectors--it gets almost one-third of annual gross investment. No doubt, agriculture's poor performance (in particular the sharp fluctuations in gross agricultural output) are partly explicable in terms of the vagaries of climate and soil, surely the role of incentives is equally (if not more?) important.

'Solutions' to the above mentioned problems of the Soviet economy were sought in the introduction of the so-called economic reforms, on the one hand, and in the use of mathematical methods of planning and management, on the other. Let us consider each of the questions in turn.

The nature of reforms that have been introduced in USSR since 1965 have been marginal to say the least. Enterprises have been given slightly greater relative autonomy--the number of indices passed down from the Centre were reduced from 16 to 4, the gross 'output success indicator' was replaced by the indicator of maximising sales (in the 1970s this indicator was again changed to maximising net output), a certain amount of wholesale trade in raw materials was allowed to enable greater flexibility in the supply system, etc. Finally, enterprises were allowed to retain a slightly larger share of their net profits--the use of net profits by the enterprise is, however, still strictly controlled by the Centre. Moreover, about one-third of profits in industry (so-called free remainder of profit) is paid into the State budget--needless to say, this is a source of disincentive for the enterprises.

While western writers exaggerate their case by calling it 'the reform that never was', it is true that the impact of the reforms on the planning system has been minimal, in the sense that enterprises continue to receive impossible plan from the Centre, the supply system continues to be inflexible, storming and planning from the achieved level still persist. In short, the Soviet planning system has gone in for piecemeal reforms (in 1965, 1973 and 1979) rather than a reform of the economic mechanism as in Hungary.

Regarding the use of mathematical methods of planning and management, the ideas of the pioneer in this field--L.V. Kantorovitch, (recipient of the Nobel Prize for Economics in 1976), have found limited application partly because of a lack of radical reform in the economic mechanism. To illustrate in terms of a concrete example: if the traditional planning system continues to specify the transportation plan in terms of ton/kms., then the efficacy of optimal transportation schemes would be considerably reduced. However, in some limited areas the use of mathematics, computers, etc., have found practical application. It might be useful to list some of these areas:

1. The introduction of a capital charge for the use of capital equipment, quasi-rental payments in some extractive industries (e.g., coal mining) and rental payments in agriculture (all three measures reflect a concern for productive efficiency and should not be confused with the neo-classical argument which justifies profits and rents as incomes of particular classes).
2. In the drawing up of optimal location and transportation schemes (e.g., location of cement factories in USSR).
3. Optimal production scheduling programmes--this is a typical example where linear programming can be applied--e.g., what is the optimal way of distributing rolled steel amongst different consumers?
4. In working out consistent plans through the use of static and dynamic input-output analysis.
5. It is important to note that the above techniques do not replace the traditional planning methods--they perform certain tasks more efficiently than the latter. For example, the traditional method of finding a consistent plan was through material balances--input-output analysis performs the same task more accurately.

Before leaving the question of planning techniques, it should perhaps be mentioned that the absence of reform of the economic

mechanism is only one of the reasons why these (i.e., planning techniques) are not applied more widely. There are certain inherent limitations in the very use of such techniques, computers, etc. For instance, planning techniques cannot determine a national economic function, or change income inequalities, regional disparities, etc. In other words, techniques only determine 'how to do' and not 'what to do'. It could be argued that some of the problems of the Soviet economy could be 'resolved' through international trade, i.e., through intra-CMEA cooperation. Let us, therefore, turn our attention to the problems of CMEA cooperation which forms an integral part of the Soviet planning system.

THE ROLE AND ORGANISATION OF FOREIGN TRADE IN A CENTRALLY PLANNED ECONOMY

The Role and Organisation of Foreign Trade

The key planning instrument regulating short-and medium-term economic activity in the CMEA countries is the system of material balances which states that gross output of any commodity or sector equals its intermediate use plus final demand (e.g., coal is used as an input plus final consumption). Taking into account foreign trade, this involves solving balance equations of the following type for different commodities: $\text{Some of gross output} + \text{imports} = \text{intermediate use} + \text{final consumption} + \text{exports}$. The balance equation is solved subject to two important constraints: (i) gross output should not exceed capacity limits, (ii) net surplus (deficit) of trade is not larger than intended accumulation of foreign exchange reserves.

Intra-CMEA trade is characterised by **structural bilateralism** which means that each of the member countries strives for balanced trade-in principle, for each year of the plan period--for different commodities and commodity groups. In Soviet parlance, the practice of balanced trade is sometimes referred to as the principle of **nul saldo** ('zero net trade balance'). Balancing is carried out in terms of the so-called bilateral quota agreements, in qualitative and quantitative terms, for machinery and equipment, raw materials and fuels, semi-finished products, agricultural products, food and consumer goods, etc. In essence, therefore, trade amongst the socialist countries is characterised by an exchange of 'commodities for commodities', 'machinery for machinery', 'hard goods for hard goods', 'soft goods for soft goods', etc. Such a pattern of trade creates problems which will be examined later.

Role of Prices, Exchange Rates and the Monetary System of the CMEA

In the CMEA planned economies, functioning on the basis of direc-

tive plan instructions, domestic prices, institutionally, are completely separated from external prices. The economic units are paid for the exported goods at fixed domestic prices and they also pay for their imports likewise at fixed domestic prices. This implies that in reciprocal trade, prices are separated from international prices as well as from relations of supply and demand.

Prices in bilateral relations amongst the member countries are based on the so-called **Bucharest Principle** (first adopted in 1958, and later amended in February 1975--referred to as the **sliding price principle**). There are two common features characterising the old and new pricing principles: "On the one hand, prices used in intra-regional trade are based on world market (chief supplier) prices (emphasis in original). The reason for this is that the centre of the world market price is the international value, i.e., it expresses in some way, in the last resort, the **socially necessary and recognised** inputs taken in an international sense. On the other hand, these prices have to be 'cleaned' since on the world market monopolistic elements, speculations, power relations and extreme cyclical fluctuations assert themselves, from which, in the opinion of the highest leadership of all member countries of CMEA--the economies of socialist countries have to be protected. A way to achieve this is the averaging of main market prices of the last five and three years respectively. This means that averaging is not the only way (the period was also changed to 5,3 then again to 5 years, but with yearly modifications), other methods can also be applied in case of necessity. "In case of necessity it includes according to the pricing principle as well as the resolutions of the 29th and 30th CMEA Sessions all such cases, when the dominating effect of the aforementioned factors can be unambiguously shown."

Thus on the sliding price basis, contractual prices in intra-CMEA trade are corrected yearly, beginning from the period 1976-80. As a consequence of this, the contractual prices gradually come nearer the levels and proportions of world market prices. This method of pricing will remain valid for the five-year period, 1981-85.

Given the above pricing system, it follows that there is no uniform rate of exchange in the trading system of the CMEA countries; in other words, member countries do not evaluate exports and imports uniformly for the entire national economy. This is a reflection of the fact that trade amongst the member countries is characterised by lack of multilateralism and convertibility of currency. It is important to indicate at this point that trade relations are conducted in terms of the **transferable rouble (TR)** which, however, merely serves as an **accounting category** and does not fulfil the functions of money. It might be useful at this stage to outline

briefly the role of the TR. In 1964, the CMEA countries introduced a system of multilateral settlement through a centre. Under this system, each creditor or debtor country would settle its account with the International Bank for Economic Cooperation (IBEC). However, the introduction of the TR did not change the bilateral character of trade amongst the CMEA countries, further the TR cannot be converted into any currency outside the CMEA clearing system, finally, surpluses in TR can be strictly used within a particular bilateral relationship--for example, if country X has a surplus in TR with country Y, it can use these surplus only with Y and not with country Z, etc. In short, the TR is neither transferable nor convertible--it constitutes neither wealth nor capital. The role of the TR has been aptly summed up as follows: "for the time being the TR can be used to pay only the planned delivery of commodities and the services performed, if they are comprised in the international agreements. It follows that the international money of the CMEA cannot be considered to be general equivalent, that is money in the sense that its holder--once he has acquired it--can buy for it on the market almost without limits."

Thus, the monetary system of the CMEA countries is determined basically by the domestic economic mechanism characterised by centralisation, priority to physical indicators, relative autarky of the price system--in short, commodity and value categories are pushed into the background. The overall conclusion seems to be that the requirements of multilateralism and regional transferable currency cannot be reconciled with an economic system based on plan directives.

FORMS OF ECONOMIC INTEGRATION WITHIN CMEA

Towards the end of the 1960s there emerged a new model of CMEA cooperation--that of economic integration. This was adopted in the **Comprehensive Programme** for the "deepening and improvement of collaboration and the development of socialist economic integration of the CMEA countries in Bucharest in 1971". Economic integration takes the following forms: (a) joint investment projects; (b) co-ordination of medium-and long-term plans; (c) product specialisation; (d) technical and scientific cooperation; and (e) movement of labour. Let us consider each of these aspects in turn.

Regarding (a) it might be useful to begin by listing some of the major investment projects involving the member countries. These are: Orenburg ('Druzhba'- Friendship) pipeline which carries Soviet oil to Hungary, Poland, GDR and Czechoslovakia. The participating countries--Bulgaria, GDR, Poland, Czechoslovakia and Hungary decided

to build part of the pipeline in exchange for gas deliveries from 1980 onwards, (ii) Hungarian-Soviet Aluminium Production Cooperation, (iii) the power transmission line--Vinnits-Zapadnoukrainskaya (USSR)-Albertirsa--this being the first step in the development of interconnected electrical power systems, (iv) Ust-Ilm cellulose plant in Eastern Siberia, (v) Kiyembaev asbestos plant in the Urals, and (vi) Nickel-Cobalt mine in Cuba. Other examples of joint projects--mainly of a bilateral character--are the so-called 'socialist multinationals'--**Haldex** (the Polish-Hungarian concern for processing coal dumps), **Interatomengero** created in 1973 for constructing nuclear power stations for all CMEA, the cotton mill **Friendship** owned jointly by GDR and Poland founded in 1972, etc.

More recently new forms of integration (long-term special purpose programme for cooperation--**LSPPC**) were agreed upon in 1978 and 1979 for the next 10-15 years. "The new pattern aims at eliminating the bottlenecks in Soviet energy and raw material production and trade (in addition, mineral resources development will be promoted in those countries which are endowed with some of them--Mongolia, Cuba and Poland). These will be achieved by means of joint investment projects, but also by a far-reaching specialisation scheme. According to this scheme, East European countries are supposed to increase the production of equipment and goods needed for the development of the Soviet natural resources capacities."

Agreements for **LSPPC** (or target-oriented programmes) were signed in 1978 (for energy and raw materials, machine-building, agriculture and food industry), in 1979 for industrial consumer goods and transport, and a set of projects for the development of nuclear energy. These programmes will need a total of 232 multilateral agreements of which 200 were signed by the beginning of 1982. Among them, the most important are the general joint investment agreements attached to a particular project. Each of these is supplemented by a set of bilateral arrangements between USSR and its partners, formulating the contributions of the East European countries in the form of capital goods and in some cases labour, and the conditions of Soviet supplies of raw materials or intermediate goods once the project is in operation. Other agreements define the conditions of specialisation, provide for research and development, etc. They also are complemented by bilateral arrangements.

Thus, the essence of **LSPPC** is that the countries supplying the investment resources receive in turn, some of the output when the project is functioning. In East-West trade such projects are known as **compensation deals**.

Coordination of Medium-term (5-Year) and Long-term (10-50 Year) Plans

An example of such coordination is the Soviet plan for 1976-90 which, starting from the forecasts of economic and political situation in the CMEA countries, chalks out the long-term forecasting of technology, labour force, natural resources, consumption and production (its branch structure, costs, prices and foreign trade aspects). In July 1976, the 30th session of CMEA, meeting in Berlin, agreed to five CMEA comprehensive programmes to be implemented in a 10-15 year period. These were programmes for cooperation in the fields of fuel-energy and raw materials industries, basic foodstuffs, expanding output and trade of consumer goods, and transport.

Coordination of Five-Year Plan of the CMEA countries for 1971-75 began almost three years before the Five-Year Plan and continued till the signing in 1971 of inter-governmental protocols on plan coordination. Since 1974, the annual, five-year and long-term plans worked out by Gosplan, USSR have had a special section dealing with CMEA integration. The preparation of the 1976-80 plans of the CMEA members were also coordinated, in accordance with the decisions of the 26th session of the CMEA held in 1972 and the work of the CMEA committee on cooperation in the field of planning. On their basis, the long-term trade agreements between the CMEA countries were signed in 1975. In addition, at the 29th session of the CMEA in 1975 a plan for multilateral integration measures for 1976-80 was confirmed.

Product Specialisation

The following can be considered as examples of product specialisation: Bulgarian and USSR account for almost 100 per cent of the battery-driven vehicles produced in the CMEA countries; Poland and USSR for 97 per cent of the excavators; Hungary and USSR for roughly 75 per cent of the buses; Rumania and USSR for 97 per cent of the blast furnace equipment; and the USSR for 90 per cent of the oil-drilling and oil-refining equipment.

Scientific and Technical Cooperation

Joint research and development constitutes an important area of CMEA integration. Between 1949-67, a major form which scientific and technological cooperation took was the free provision of scientific and technical documents, i.e., designs for new machines, products and processes. Competent bodies of the CMEA member countries have signed over 100 multilateral agreements and treaties in major areas of science and technology. The extent of cooperation

can be gauged from the fact that in 1977 while allocations to investment projects amounted to 9,000 million TR, allocations earmarked for joint research amounted to almost 600 million TR.

Movement of Labour

This is the least developed form of integration within CMEA. By the mid-70s there were about 150,000 workers from member countries working in other CMEA countries--GDR occupying the largest share where the shortage of labour is most acute. "Intra-CMEA movement of labour is characterised by its small-scale, its organised, inter-governmental character, and that workers are not employed in unskilled poorly paid jobs as in the west."

PROBLEMS AREAS WITHIN CMEA

The main problems relate to the following issues: (i) bilateralism, (ii) pricing, exchange rates and the monetary system, and (iii) joint investment projects.

Problems of Bilateralism

According to standard international trade theory, bilateralism leads to waste since it either constrains the volume of trade to the export potential of the country with lesser export potential, or forces the country with a greater export potential to accept goods which it does not want to buy very much (i.e., the so-called soft goods). The argument was developed rigorously in the context of intra-CMEA trade by the late Hungarian economist Ausch. In the trade between the member CMEA countries, bilateralism leads to two particularly unfavourable consequences; firstly, it introduces the distinction between, 'hard' and 'soft' goods (it is important to note that the distinction between 'hard' and 'soft' goods makes sense only in the context of bilateral trade--if trade were multi-lateral the distinction would obviously disappear). If there is a market for hard goods in the west then each member country strives to export hard goods for convertible currency; otherwise trade in hard goods takes place within the framework of 'special constructions' in convertible currency within CMEA (for Hungary such trade amounts to approximately 10 per cent of the turnover); secondly, it creates a lack of flexibility in, and sometimes even reduces the volume of trade amongst the member countries. For example, within the framework of bilateral quotas for commodity turnover, the countries exchange commodities of different priority according to a determined nomenclature. In cases where they cannot obtain commodities of fundamental importance from their partners, their interest in expanding exports of commodities with higher priority disappears.

The country which develops its exports more rapidly finds itself with surpluses in turnover with which the other countries cannot obtain any commodities, and must wait for the following period in order to eliminate its surplus balance. In the next period, this country will endeavour to increase its imports from the other countries to a suitable extent, and if this is not possible, it will limit its own export. Through the IBEC, the form of multilateral clearing account used by the CMEA countries since 1964 has for the time being not produced the expected results because of the trend toward bilateral balancing and because of the strict quota agreements.

Consequently, the CMEA members, in their efforts to expand reciprocal production specialisation and commodity turnover, need to work out a new and more flexible system of inter-state economic agreements based on the principle of multilateralism, suitable for putting the system of multilateral settlement into practice.

Problems Regarding Prices, Exchange Rates and Monetary System of CMEA

The separation of external and internal prices makes it very difficult to take into account efficiency considerations in foreign trade. Efficiency requires a fuller assertion of the world market for which it is necessary that there be an unambiguous relation between domestic and foreign prices so that the profitability of an enterprise producing for export should depend upon the latter.

Under conditions of bilateralism, money fulfils its functions only formally. It is thus neither convertible nor transferable. Given the fact that money does not serve as an universal equivalent, it follows that there is no uniform and effective exchange rate that evaluates foreign exchange activities from the point of view of comparative advantage. Thus production and foreign trade turnover does not adapt flexibly enough to conditions of foreign demand.

The absence of uniform money exposes the limitations of the role of the TR, which, as mentioned earlier, serves merely as an accounting category. Thus "the international mechanism of the CMEA integration has prevented the formation of multilateral trade and accounting relations, has resulted in bilateralism becoming the usual form of connection. All the countries try to maintain complete equilibrium under bilateralism. On the one hand, a passive balance of payments would be favourable for each of them, for interest is extremely low. At the same time, each country wishes to avoid an active balance as the low interest received means a loss, while under the quota system, the surplus cannot be used to purchase commodities needed. In this system of ties, multilateral clearing

turnover cannot be established. No country accepts 'payment' from another country in the form of an active balance with a third country, as they cannot use it to buy commodities needed to meet true demands. Under this system the convertible rule cannot be established, since convertible currency means that all types of commodities can be purchased for it."

To sum up: "the major contradiction in the cooperation of the socialist world market, of the CMEA, is the limitations, in the operations of market categories and laws, arising from the system of domestic economy (or the functioning of the **internal economic mechanism**--emphasis mine)...This contradiction appears in various forms in the field of external ties: in the international commodity exchange and monetary transactions, in the lack of satisfactory international concentration and of capital flows, in the difficulties experienced in industrial branch and production level specialisation and in the coordination of plans."

Problems of Joint Investment Projects

A general problem that arises with regard to joint investment projects is that in the absence of a uniform exchange rate, and with different relative prices in the member countries, it becomes difficult to evaluate precisely the costs and benefits of the projects.

It has been argued that the gain to the USSR has been greater than for the member countries of Eastern Europe. The benefits from these projects accrue to the USSR on account of the following factors: (i) an increase in investment capacity, for example, in the case of the Orenburg project the addition to natural gas transport capacity amounted to 4 per cent of the 1978 capacity of the Soviet gas transport system, (ii) the supply of machinery which may be used on other pipelines, (iii) experienced manpower for the projects, (iv) a 'learning process' in the operation of joint investment--Soviet enterprises gain experience which may later be applied in purely Soviet investments. On the other hand, these projects impose considerable burdens on the East European economies of the following type: (a) these countries have granted long-term loans (12-15 years) to the USSR in the form of machinery and equipment at low rates of interest (2-3 per cent per year); and (ii) the participating countries had often to buy the equipment in western countries. They had to divert some of their (already scarce) hard currency resources to these projects, or else to borrow from the international money market at high rates of interest. It is important to note that these investment projects have a high (western) import content--in the case of Hungary for example, the direct dollar contents of the investment credits amounted to 54.4 per cent

during the period 1970-80. Thus according to Lavigne, the USSR is trying to impose a pattern of integration along LSPCC lines on Eastern Europe--a claim which appears to be far-fetched.

Finally, as mentioned by a Hungarian writer, such compensation deals are useful when:

the decisive part of exports is made up of only a few products of homogeneous composition that can be delivered in large quantities, while adaption to market demands causes no special problem and problems of domestic cooperation are hardly raised either, then trade can be successfully increased also in the longer run by means of a relatively limited number of big transactions, which are centrally supervised and directly controlled in the phase of preparation, concluding and realisation as well....This corresponds to the concept of giving preference, first of all, to those foreign trade transactions which have an overall impact on the national economy in themselves, for example, influence the production of an industry or branch to a considerable extent. They are especially preferred if export or import transactions of such branches are involved which by their importance, are in the focus of attention of the economic control organs. Compensation transactions are enhanced first of all precisely in these branches....

But if the structure of exports is diversified and includes with considerable weights manufactured goods and agricultural products, if exports are made up of a great number of small items, then success often depends not so much on the utilisation of advantages of mass production, but rather on fast adaption to differentiated demands good quality, rapid delivery, adequate organisation of sales, the ability to respond to market changes...this requires not large-scale investments...but smaller investments which, however, can be more rapidly realised in the scope of enterprise decision-making

FUTURE PERSPECTIVES FOR CMEA COOPERATION

CMEA cooperation represents a case of a pattern of trade of 'raw materials for finished goods'. The Soviet Union supplied the European CMEA countries with fuel and raw materials and put at their disposal its market so that they could sell their goods--mainly those manufactured by the engineering industry. Quite naturally, an immediate question that arises as to who has gained from such a pattern of trade. In the 1960s, some western authors argued that Soviet Union was exploiting Eastern Europe whereas in the 1980s two

American scholars have tried to show that USSR has subsidised Eastern Europe to the extent of 80 billion dollars during the period 1971-80. The actual picture is, however, more complex. Let us, therefore, look at the movement in the terms of trade between USSR and Eastern Europe.

The overall picture appears to be as follows: between 1955 and 1974, the terms of trade moved in favour of Eastern Europe, since 1975 they turned in Soviet Union's favour. In the first phase (i.e., 1955-74), Soviet Union-Eastern Europe terms of trade deteriorated by about 20 per cent. This happened not just because of the position of the USSR as a main exporter of raw materials and fuels and a main importer of machinery and industrial goods, as one might have expected from the general movement in terms of trade between the end of the Korean conflict and the beginning of the 1970s against exporters of primary products. Another reason for such deterioration was the fact that the ratio between the prices of East European machinery exported to USSR, and the prices of the goods exported to the Soviet Union, was higher than the ratio between machinery and primary goods prices on the world market. This might be explained by the very nature of the bargaining process between the COMECON members and by the difficulties of finding the objective price for a piece of equipment on the world market. Hewett has another explanation: the Soviet Union wished to foster specialisation in machine-building among its partners in the beginning in the 1960s and for this had to be willing to pay higher prices.

In 1975, Soviet export prices in trade with CMEA (including Cuba, and since 1978 Vietnam) increased by 32.6 per cent and for 1976-80 by an average of 8 per cent per year. Once we have determined that the Soviet Union's export prices increased, we have to estimate the corresponding movement in its import prices so as to evaluate its gain in terms of trade. Let us examine the ratio of Soviet export prices to Soviet import prices in intra-COMECON trade, the ratio did not increase by as much as the implementation of the new principle allowed. This has been documented by Dietz, who calculated that the "sliding price formula" according to the Moscow rule ought to have provided USSR with a gain in the terms of trade amounting to 40 per cent for the period 1975-80 (26 per cent for 1975-77). Actually, reliable western calculations indicate a range for 1975-77 from 17 per cent (Vanous) to 25 per cent (Dietz) a figure of 19 per cent is given by Hewett. For the period 1975-80, the figure calculated from the Soviet statistics is 21 per cent.

Thus traditionally, USSR has been a permanent creditor in its trade with Eastern Europe. The cumulative surpluses were 2.5 billion roubles for the period 1966-70; during the three years 1971-

73, however, the USSR was in deficit by about 1.7 billion, so that during this period its partners must have sold more than they bought from the Soviet Union, which meant a net gain for the latter. From 1975 onwards, important surpluses were again accumulated by the USSR, slightly under 6 billion dollars for the period 1975-80, which represents about 7 per cent of Soviet exports to its partners during the same time. In 1981, the Soviet surplus soars to over 3 billion roubles, or 13 per cent of Soviet exports; over half this sum is due to the Polish deficit.

For USSR, these huge recent surpluses mean foregoing about one-third of the potential gains which it could derive from improved net terms of trade. These gains can materialise only if the increased export receipts are 'converted' into imports of goods. Otherwise the country with a surplus is an involuntary creditor of its partners, because of the inconvertibility of the collective COMECON currency. This is indeed the case: USSR has granted its partners trade credits for the repayment of this debt. The GDR, which represents less than 25 per cent of the total trade of USSR with the Six, has a share of over 40 per cent in the Soviet surpluses with the area, Romania, at the other end, has always run a slight surplus with the USSR.

In the future, the Soviet Union would strive for more balanced trade--it would like to wipe off its surplus by increasing its imports more rapidly than its exports. The Soviet demand for equipment would be addressed in the first place to the GDR and Czechoslovakia, which accounted for nearly 50 per cent of all Soviet imports of machinery from Eastern Europe in the years 1976-80.

Thus the issue of exploitation of Eastern Europe versus subsidisation of Eastern Europe appears to be a red herring--apart from being empirically false. Pesci points out that Vanouse and Maresse's estimates relating to subsidisation are based on a hypothetical TR/dollar exchange rate which differs from the actual one. A manipulated method is applied utilising the prices and exchange rates of the CMEA and the prices of the west. A more meaningful approach to study the problems of CMEA integration is suggested by examining whether the principle of mutual interests in the CMEA member countries trade between themselves is realised or not.

The model of raw materials for finished goods has now come up against the following constraints: (i) the declining efficacy of trade which reflects itself in a reduction in the volume of trade and a consequent dependence on the west; (ii) the problem of raw materials supply; (iii) the problem of the reform of the internal economic mechanisms of the member countries.

Thus the role of foreign trade in a centrally planned economy can

be summarised in terms of the following propositions:

1. In the initial stage of cooperation, the particular kind of bilateralism that emerged in the CMEA countries from the economies based on plan directives had its positive traits, especially from the point of view of the less developed countries, creating as it did with the rapid pace of industrialisation based primarily on the mobilisation of external resources, secure external markets. Later, however, bilateralism became somewhat of a fetter on the efficacy of trade and economic integration within CMEA.
2. The pricing and monetary system of the CMEA is basically a reflection of the domestic economic mechanism of the member countries. In the absence of radical economic reforms, this has created serious problems like lack of currency convertibility, multilateralism and the absence of money as an universal equivalent.
3. The CMEA integration represents a case of trade of raw materials for finished goods. In this process of trade, for the first 20 years or so, the terms of trade moved in favour of Eastern Europe, this movement was, however, reversed after 1975. Thus any attempt to pose the issues as exploitation of East Europe versus subsidisation of East Europe is meaningless. A more meaningful approach is to examine why the principles of mutual benefit are not being realised. The reasons are complex--both external and internal.
4. To the extent that the USSR and Eastern Europe as a whole have become net importers of food, raw materials and modern technology, their dependence on the west is unlikely to diminish in the near future.
5. For economic, ideological, traditional and last but not least, military reasons, the USSR is not likely to abandon in the foreseeable future her system of a planned economy based on directive plan instructions, although even there the system tends towards flexibility. This fact itself sets certain objective limits towards a system of multilateralism. For political as well as economic reasons, the USSR will also for a long time to come strive for bilateralism in her trade with capitalist countries. Profound changes will have to occur in the world's entire economic pattern to induce USSR to enter into multilateral trade with the latter and to introduce convertibility either on the basis of the capitalist reserve currencies which are undergoing a crisis, or on that of the system described above (the rouble as the world's

third reserve currency), or based on a uniform world reserve currency to be established sometime in the future. Until then USSR will, relying on her immense economic resources and gold reserves, most probably prefer **centrally directed bilateralism**.

PROBLEMS AREAS OF THE SOVIET ECONOMY AND THE SO-CALLED 'WAY-OUT'

Since we have already discussed the basic issues involved in analysing the Soviet planning system, it will suffice simply to list the major problem areas which are the following:

1. **AGRICULTURE:** Despite enormous investments since 1965, its performance continues to be disappointing. One of the important results of input-output analysis is that unless agriculture's performance improves, the performance of the consumer goods industries (particularly those branches which depend on agriculture) will also not improve.
2. **TECHNOLOGY:** More than 80 per cent of Soviet exports consist of raw materials and the bulk of its imports consist of grain (more precisely feedgrains and not foodgrains) and machinery, incorporating more modern technology than USSR can produce indigenously.
3. **ECONOMIC MECHANISM:** The reform of the **economic mechanism** which still has a long way to go.

Problems (2) and (3) are obviously closely interrelated.

Even at the risk of oversimplification, one could suggest a 'way out' which will improve the Soviet planning system. These reforms have been suggested by Kornai and Brus (henceforth the Brus-Kornai approach). The essence of the Brus-Kornai approach lies in reconciling the motion of plan and market. This is at variance with the orthodox Marxian view of planning *versus* market. What do we mean by Plan and market? It does not mean 50 per cent planning and 50 per cent market--it means that both the **plan and the market should function in their fully developed form** (Kornai) and that the role of the market, prices, profits, etc., **should be subordinated to the framework of a plan** (emphasis mine). More concretely, planning would take the basic decisions of the economy--determining growth rates, the rate and pattern of investment, income distribution, regional disparities, full employment, etc. The market on the other hand, would ideally control the so-called **autonomous forces** at work in the economy--incentives, profits, private initiative (e.g., in agriculture), etc. What kind of social relations would emerge with

the interaction of plan and market. This remains a fascinating area of research in planning theory. Before we leave the question of the interaction plan and market it might be useful to anticipate (and reply) to the so-called 'Marxist' objections to the above mentioned 'reformist' proposals.

The so-called 'Marxist objections' have been raised by the International Socialists (e.g., Cliff, and Mandel) and from a Maoist perspective by Bettelheim. As elsewhere, I have dealt with their arguments at length, it is unnecessary to repeat my formulations in this article. I will, therefore, concentrate only on points of principle. My basic point is that none of the above mentioned theories (e.g., of Cliff, Mandel and Bettelheim) provide any insight either into the historical evolution of the mode of production in the USSR and Eastern Europe or do they contribute in any way to our understanding of the contemporary problems of socialism.

A few examples might help to illustrate the above argument. The following propositions are shared by all Marxists (Trotskyist, Maoist or orthodox). There can be no market under socialism, or that with a higher level of development of the productive forces, the role of commodity-money relations would tend to disappear. The laws of development under socialism puts paid to many of the above propositions. For instance, the market would have to play a permanent and not simply a transitional role as claimed by Marxists. The market would be necessary for coordinating information, for regulating supply, and simply because there are forces in any economy which are largely autonomous. Hence, one cannot but disagree with Oscar Lange's famous formulation in the latter days of his life: "The computer (under socialism - emphasis mine) does not replace the market; it performs a function which the latter was never able to perform." The answer to Lange is simple: firstly, computers in socialist economies are inefficient, secondly no computer in the world can produce a consistent plan for 20 billion commodities. The market is, therefore, necessary for socialism (paradoxically, Lange took the same position in the 1930s when replying to Hayek and Robbins). It is sad but true, that Barone's argument of 1908 is still valid: socialism 'cannot' solve the system of millions of equations. Hence, the role of the 'socialist market'.

CONCLUDING OBSERVATIONS

1. The Soviet planning system initiated in the late 1920s and 1930s collectivised and agriculture and industrialised the country as rapidly as possible. Whether there were less harsh

alternatives available continues to remain a controversial question.

2. No socialist economy (including the USSR) has yet worked out an appropriate **economic mechanism** to resolve the questions of **intensive economic growth**.
3. To improve its planning system the USSR can draw **positive** lessons from the Hungarian experience (in particular from Hungarian agriculture, reform of the economic mechanism, etc.) and **negative** lessons from the Yugoslavian experience (where the macro performance of planning has been poor, e.g., unemployment, inflation, and regional disparities) the key to efficiency is to combine plan with *Khozraschet*.⁶

REFERENCES

1. **Osvoenie:** The term means 'mastering' (of productive capacities). Quite often, it is the case in the USSR that new productive capacities installed do not function smoothly for a variety of reasons for several years.
2. **Raspilenie:** the term refers to the 'scatter' of investment resources (**raspilenie sredsty**) over too many projects. This leads to an enormous growth of unfinished construction in a particular plan period.
3. By this term is meant the totality of relations between the economic units, the ministries and other supervisory organs the planning agencies. The banks, etc., on the one hand, and a functionally interdependence between the national economic plan and the socialist market on the other. It is important to note that the economic mechanism includes the role of prices, profits, money, economic regulations, incentives, taxes, subsidies, and their interrelationship to each other.
4. The dual price system refers to the fact that the prices of capital goods were kept artificially low, and consumer goods were priced well above cost, through the so-called turn-over tax. This encouraged the wasteful use of capital goods.
5. To understand the term 'storming the plan' it is enough to note that discerning Soviet buyers never buy commodities produced towards the end of the month in a factory.
6. **Khozraschet:** the principle of economic accountability--a term which describes that an economic unit has its own profit and loss account and is run in a business like way, sometimes the term **Khozraschet** economy is used to describe the New Economic Mechanism in Hungary.

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DOCUMENT 1

Federal Republic of Germany
Planning in Federal Government and
Federal Administration*

DIETMAR SEILER

FOR QUITE some time now there have been intensive discussions in the Federal Republic concerning contents and range of government activities. Reasons for this are growing social, economic and constitutional problems. On the one hand, the discussions led to the recognition of the increasing demands on government activities. It was also recognised that there must be an effective planning of government activities, and that this planning process must be linked as closely as possible to the planning of the resources available.

On the other hand, there is a growing opinion which calls in question the usual arguments for government-wide planning efforts by pointing out such problem areas as selfishness of individual ministries, lack of coordination, 'petrification' of finance planning, increase of crisis management, unreliable data basis for government actions. Those holding that more critical view have their doubts whether government by itself is capable of planning a better future, let alone making sure that society a few years hence will actually enjoy that future.

The expectation expressed in the early seventies that it would be possible to arrive at conceptual solutions on the basis of a comprehensive, synoptic view did not hold true. Now as ever, there is a clear fragmentation of perspectives, responsibilities, competencies and means of action. When it becomes necessary to develop comprehensive, integrated solutions to problems, the need for coordination increases.

For years the discussion on planning within Federal Government and Federal Administration was based on the implicit understanding that there was a generally established concept of political planning. Accordingly, a more specific definition of the different functions of planning at the various levels of the politico-administrative system was not considered necessary. As a consequence the discussion precipitously centered around problems of structural and operational organisation, while passing over important questions of substance. This led to unrealistic assumptions as to what was achievable through political planning.

Assumptions were largely based on a concept of planning which understands political planning as a qualified way of taking action at governmental and administrative level, with the intention to make the identification, definition and realisation of society's aims of

*Reproduced from König, et. al., (eds.), *Public Administration in the Federal Republic of Germany*--a reader issued at the World Congress, The International Institute of Administration, Berlin, September 1983.

classification, distribution and implementation more effective and adapt them more easily to actual needs. Political planning was practically considered to be the general term for the planning of tasks (aims) and the planning of resources (financial planning including planning of non-monetary economic resources). According to this definition which was termed comprehensive, but is in reality rather curtailed, the political decision forms an (important, but small) integral part of a government-wide planning process. The deliberate renunciation of a separation between the systematic, objective preparation of decisions and the political decision-making process led to a relative neglect of technical departmental planning in the discussion on planning; this means a neglect of that form of task planning which concentrates on a specific (sectoral) department (ministry) and is understood as the systematic collection and evaluation of information for the preparation of decisions (departmental planning).

The following is an attempt to list some of those factors which, altogether, have had the effect that the expectations placed in the setting up of a central, integrated system of task planning and coordination within the Federal Chancellery have only partly been fulfilled. Subsequently the main elements of an intra-departmental planning and information system as currently applied will be described by the example of a large ministry endowed with highly heterogeneous competences - the Federal Ministry of the Interior.

GOVERNMENT-WIDE PLANNING PROCESS

In the Federal Republic the Chancellor's Office has had a long and prestigious history as advisor to chancellors, as servicer of the Cabinet and as chief coordinator of government work. Planning at the central political level was to improve the performance of these functions, to plan the work of government in terms of longer term objectives and to encourage innovation.

First Report by the 'Project Group on the Reform of Government and Administration'

Structure and activities of the planning division of the Chancellor's Office were influenced considerably by the inter-ministerial 'Project Group on the Reform of Government and Administration' which in its First Report in 1969 criticised the office's performance of its three major functions and the tendency to compartmentalism in policy-making.

Subsequently, planning delegates were appointed in each ministry for liaison with the central planning division. Weekly conferences of State Secretaries chaired by the head of the Chancellor's Office were begun to improve forward coordination. The major products of these efforts were the formal installation of an 'early warning information system' on future ministry proposals, a government work programme for the four-year legislative period, and the development of functional planning up to 1985. This latter attempt was to provide a framework for all other planning, to stimulate discussion of goals and alternative programmes and to offset the conservatism and macro-economic orientation of financial planning.

Emphasis on Individual Ministries

In 1970 the planning division started to set up a number of project groups to develop a comprehensive, long range policy perspective which might provide substantive inputs for policy making. But the ministries who were asked to delegate members to the project groups cooperated only reluctantly, and the task itself soon proved to be by far more difficult and time-consuming than expected. Eventually, a joint federal-state venture in 'comprehensive problem analysis' operating at a reduced level of aspiration evolved from this effort, the usefulness of which was immediately being questioned by most of the federal ministries. Joint problem analyses have not been resumed in recent years.

It was recognised that one of the major obstacles to political innovation and reform was government administration itself. The high degree of decentralisation of information sources and programme development within the ministries and the lack of adequate central steering capacity is generally regarded as being the major problem of modern government.

Within the Federal Government some 1500 sections are each responsible as basic operating units are each responsible for a particular policy area and for developing programmes in their domain. Not only do they develop ministerial proposals into workable programmes, they also are themselves major sources of initiatives and thus occupy a key role in policy making. They have relatively much independence in their own field, and often their perspective differs from that of the political leadership. However, political appointees include only heads of divisions, but do not extend down to the level of sections.

The inherent independence of the sections means, on the one hand, clearly allocated responsibility, but on the other hand hinders coordination and team work when issues cross the boundaries of section. Moreover, the sections are capable of resisting political pressures. Policy rather emerges out of a dialogue between the top, political level and the sections.

Political proposals and sometimes even top level decisions are modified by the sections to fit in with their perception of reality. Too broad a span of attention and inadequate information in addition to a necessary concern with external relations tend to confine political leadership to reactive policy making rather than to a steering function. The function of planning was intended to strengthen central steering capacity by a long term integrative perspective at the centre and by enforcing certain restrictions on the section. But it appears now that their own weight and that of the individual ministries in relation to the Chancellor's Office were underestimated.

Three Major Problems Encountered

In addition, three major problems became associated with the introduction of central planning in federal government and administration. One concerns the relationship of government to Parliament. Aside from the numerous external checks on the executive, its primary formal responsibility is to the law. In this context there is only a weak notion of the executive as being an agent of Parliament. Article 20 of the Basic Law usually is seen as providing a balance of powers with a core area reserved to both executive -

i.e., government and administration - and to Parliament. Planning belongs constitutionally to the functions of government, but at the same time it also has implications for the core area of parliamentary activity. The parliamentary parties value their independence and the legislative role of the Federal Parliament. Government must expect defeats or at least severe amendments to legislation and the planners must prepare to cope with those facts.

Secondly, planning raises problems about the organisation of the executive, especially the relations of Chancellor, cabinet and departments. Within the executive, constitutional provisions do little to promote integrative values and effective comprehensive planning. It is argued that Article 65 of the Basic Law seeks to create a balance of powers within the executive and that this balance may be threatened by the location of the planning system. The problem is seen in the demarcation of the limits of the Chancellor's authority vis-a-vis departments. Ministers direct the departments individually and on their own responsibility. On the other hand, it would seem unrealistic to limit Chancellor guidelines solely to statements on general policy, not interference on detailed issues, or to government declarations on ascent to office. The weight is clearly on the Chancellor and the departments with only a constitutionally weak cabinet. Article 65 basically gives to the cabinet only the negative function of deciding disputes between ministers. Even then, there is nothing to stop the Chancellor from raising a dispute into the object of a guidelines' decision.

In general, it may be said that the Basic Law does not provide an adequate framework within which a sense of collective responsibility might develop easily. Under such circumstances it seems natural to give the departments the major role in any comprehensive planning system. The departments form rather closed systems within which the tensions arising from programme planning can be settled internally more easily. Overall coordination then remains the basic problem.

A third problem for the planners in the Federal Republic is the federal system of government as such. Cooperation of the Lander is essential for not only do they execute most federal legislation as a matter of their own concern, but they also have great capacity to influence federal legislation through the Federal Council which is composed of delegates of the Lander governments and is able to exercise an absolute veto over a wide range of legislation. As some Lander were most suspicious of the implications of the planners work, joint federal-state committees on long-term functional planning generally were unsuccessful in their efforts.

Third Report by the 'Project Group on the Reform of Government and Administration'

In its Third Report, submitted at the end of 1972, the Project Group on the Reform of Government and Administration had once more suggested - in continuation of its earlier reflections on political planning - that technical planning and financial planning should be linked more closely. The organisation and procedure of planning should be developed in such a way that the correlations between individual measures or programmes, their impact upon the various policy fields and their implications for the future, and in particular their effects on resources, are considered and taken into account.

Referring to pertinent experience in other countries (PPBS), the Project Group had contemplated the step-by-step development of a programme budget, i.e., the connection of programme planning with budgetary and financial planning.

Of much greater influence on the subsequent development, however, was its recommendation to proceed pragmatically in this regard and to make a first start with the planning process in the respective ministries, that is to say, in their basic units, the sections. These units, the Project Group felt, were to constitute the responsible planning bodies at the lowest level since they possess the necessary expertise. The Group did not consider it justifiable to detach the planning functions from this concept and commit them to special institutions because this would entail a duplication of basic knowledge and thus an unacceptable increase of administrative costs.

Intra-ministerial Planning Process

The proposal for intra-ministerial programme planning put forward at that time basically comprised the following elements:

1. Identification of ministerial objectives to be coordinated with overall governmental activity.
2. Survey of ministerial activities and 'bundling' same into programmes at the level of divisions.
3. Coordination, analysis and evaluation of specialised programmes with the assistance of a coordinating group, subordinated to the top management of the ministry, and composed of the sections for budgeting, organisation and personnel as well as a unit for planning coordination and programme evaluation which was to be newly established.
4. Working out of a financially secured draft ministerial programme by the coordinating group on the basis of the programmes reported by the divisions.

As regards the development of an objective orientated programme structure within the overall domain of the Federal Government, the Project Group made further proposals which were a follow-up at government level to the concepts worked out for the ministerial level.

However, it pointed out that these proposals represented preliminary ideas regarding the development of political planning and it suggested that the joint planning mechanism at Cabinet level should not be re-intensified until development activities in individual federal ministries had reached a certain degree of completion.

Introduction of a Planning Process in the Federal Ministry of the Interior

On the basis of the considerations by the Project Group most of the federal ministries have subsequently begun to build up intra-ministerial planning and information systems or to supplement and sophisticate existing ones. Contingent upon such factors as size of a ministry or structure of functions to be discharged, varying approaches have been chosen which in return have produced varying results. It is not possible here to describe all these procedures. As an example, therefore, the approach chosen by the Federal

Ministry of the Interior is to be treated in more detail in the following. However, this does not mean the presentation of a ready-made and self-contained procedure, but of setting forth considerations of principle which are to be translated into practical work in a step-by-step process.

Directives for Cooperation and Personnel Management

The starting position was determined by the fact that 'Directives for Co-operation and Personnel Management in the Federal Ministry of the Interior' had been adopted with binding effect in December 1975. These directives - already revised once in the meantime - provide, *inter alia*, that the sections and - as a second step - the divisions (as far as their functions permit) are to draw up work programmes taking into account established objectives and tasks. The work programmes are to be developed in accordance with uniform principles which, apart from updating, allow in particular for the checking of results by heads of divisions. Finally, they are to be combined in an overall survey for the top political management of the ministry by a planning unit established within the central division setting forth distinctly the respective state of the work being pursued.

Basic Unit as Starting Point in Planning Process

Accordingly, considerations on the further course of action are concentrated on these main items:

The starting point for all planning approaches is to be the basic unit (section, working or project group), since this is the level where expertise as well as target concepts derived from predetermined specialised tasks exist. However, these concepts which are mainly related to specialised fields of activity need to be complemented by preset objectives which take account of the overall view of both the ministry and the government. These objectives can be passed on to the divisions and sections only from the top, political level of the ministry, which for this purpose is assisted by a planning and information staff. A unit concerned with the technical handling of planning matters, the 'Planning-section', is not by itself in a position to set such material objectives. However, it can and should assume a supporting role through the medium of the heads of divisions or of the liaison bureaux specially created within the divisions. In the meantime this has taken place in various ways, for example by drawing attention to criteria in substance under the overall aspect of the ministry and from the political field (party programmes, election platforms) or by providing methodical and procedural assistance when objectives have to be formulated in the preparation of work programmes.

Standardisation of Work Programmes

Some divisions had already developed work programmes for their own fields of activity and were proceeding in accordance with these programmes. However, the programmes differed considerably from each other and, therefore, could only with great effort and expenditure be evaluated by the 'Planning-section'. They were only conditionally usable as sources of quick information for the top management (e.g., as basis for answering inquiries or for the ad hoc drafting of papers on the projects developed by the ministry). It was, therefore, found to be indispensable to draw up all work programmes according to uniform principles.

These principles were to relate in particular to:

- the nature and importance of the tasks and projects to be covered,
- the determination in substance of the objectives to be attained,
- the presentation of the connections between individual projects (similarity of functions and of target groups addressed among the population),
- the consideration of the budget funds provided for in the finance plan and of the personnel resources available,
- the designation of proposed deadlines and their gradual adjustment to changes.

Structure and Time-span of Work Programmes

Owing to the heterogeneous functional structure of the individual divisions of the ministry, a detailed formulation of the principles could only be undertaken after thorough discussions with the divisions. 'Procedural principles for the development of work programmes' were eventually drawn up and have been in the process of adoption within the Federal Ministry of the Interior for about two years. The principles provide that the projects and other functions to be discharged have to be set forth in the work programmes to be drawn up by the sections working panels or project groups. According to the functional structure of the Federal Ministry of the Interior, tasks and projects are understood to comprise laws, ordinances, general administrative regulations, EEC directives as well as international conventions and agreement between the federation and the Lander. Other matters such as conferences at which the Federal Minister of the interior represents the Federal Government, reports to the Federal Parliament and to Federal parliamentary committees, as well as concepts, expert opinions, inquiries, and memoranda, have to be referred to in the work programmes only to the extent that they constitute functions of considerable political importance. As a matter of principle, current affairs are not included in the work programmes. Thus the drawing up of work programmes serves in particular to record programmatic data on the objectives and possibilities of realisation of such projects and other matters in which political activity finds a tangible expression.

In the present state of development it is not the purpose of the work programmes to furnish information about the extent of the workload of the ministry's sections.

As a general rule, work programmes cover one legislative period but may also be divided into shorter periods. In any case they have to be arranged so that updating and the checking of results are possible. For this purpose it is required in particular to describe in substance the objectives pursued in the work programmes. In this connection the technical as well as the political aspects involved have to be presented, taking into account, for example, government policy statements and other programmatic manifestations, especially declarations before the Bundestag and its committees. The relations between the objectives laid down to their substance and the individual projects, as well as the relations between the various projects, have to be clearly shown.

In addition, the description of the individual projects concentrates on the following items:

- designation of the project,
- purpose and basic content of the project,
- description of the relation to other projects as well as of existing problems and of difficulties to be expected,
- regard to financial planning as far as budgetary funds are required,
- process planning (scheduled time limits for basic steps to realise the project),
- realisation (actual dates of basic steps made in the realisation of the project).

The temporal planning targets, beginning with the completion of the initial draft at section-level and ending with the coming into force, are laid down and updated for the individual projects.

Based on the work programmes of the sections working panels and project groups, the work programmes of the divisions are drawn up, divided into programmes for the various sub-divisions. This is the responsibility of the head of division. He takes special care to ensure that the budgetary funds available and earmarked in the finance plan, the principle of economy and the personnel resources available to the division are taken into account.

As a next step, a survey of the ministry's politically significant projects is compiled by the 'Planning-section' in cooperation with the divisions, setting forth coherent and technically related fields of responsibility. This survey is updated at irregular intervals, i.e., about 3 to 4 times a year. Politically significant projects may be considered to include laws, statutory orders and general administrative regulations as far as they are of substantial importance, international conventions and agreements between the Federation and the Lander, as well as reports, concepts and similar matters which concern essential fields of responsibility of the ministry or by which new foundations are created for the execution of politically important functions. It is a prerequisite in each case that the realisation of the project is at least likely to be achieved within the planning time of a legislative period. Other projects are included in the survey if, on account of the substantive or political significance of a project or in view of existing opposite political opinions, it is to be expected that a personal commitment of the top political management will become necessary in the matter concerned.

Effectiveness Control

In order to actually provide the announced services and achievements, it is considered indispensable to exercise control over whether and to what extent the planning objectives and projects described in the work programmes have been realised in substance and within the set time limits. This, again, is in the first instance the responsibility of the head of division with the substantial cooperation of the heads of sub-division as far as the work programmes of both the sections and the division are concerned. This continuous checking of results is considered to be part of the head of division's management functions. It is intended to present, at

least once a year and according to a uniform model, the findings derived from the checking of results. Moreover, the work programmes of the divisions and any reports by the heads of division on effectiveness controls are to be taken into account in organisation and business reviews with the aim of determining the effectiveness and economic efficiency of the measures carried out in implementation of the work programmes.

By recording the projects of the ministry under uniform criteria and on standardised index sheets, it is achieved that the individual projects of the divisions and their time-related implementation become perceptible to the management (of the division as well as of the ministry on the whole), that cross-references become transparent, and that material and temporal bottlenecks become identifiable. It is worth noting that, already during the development of procedural principles for the development of programmes, provision was made for control mechanisms which, in addition to the process of mere updating, permit current evaluations of the work results obtained. This includes that, apart from comparisons purely between scheduled and effective results on the basis of the information recorded on the index sheets, it is also possible to draw comparisons between scheduled results in terms of both substance and time.

When the procedural principles for the development of work programmes were developed, care was taken from the beginning to ensure that the auxiliary instruments and procedures already developed within the ministry could continue to be used to the greatest possible extent in order to minimise the additional work caused by the integration of the programmes of the divisions into a work programme for the entire ministry.

Card Index as Planning Instrument

In order to improve and simplify the flow of information between the various organisational units of the ministry and the top management, the planning unit keeps a card index based on the work programmes of the divisions. Any information being of relevance for the assessment of a project and its status - including its scheduled implementation - is incorporated in this card index according to a uniform pattern. For each project a separate index card - differing in colour for laws, ordinances and other projects - is made up. To facilitate work and for the purpose of communication, photostatic copies of the card index are made available to the liaison bureaux established by the divisions.

The inclusion of new projects in the card index kept by the 'Planning-section' takes place either by new registration with the data sheet information system of the Federal Government or by incorporation in the work programme of the respective division. The time schedule of the card index is updated simultaneously with the actualisation of the implementation schedule provided for by the data sheet information system of the Federal Government, an actualisation which, anyway, is necessary every month. An additional aspect is that the Cabinet time schedule is linked with the data sheet procedure.

WORKING PROGRAMME

WORKING PROGRAMME

(1) Official denotation of activity (give also curtailed denotation). Section:				(2) Date					
				(3) Activity-sheet no.:					
				(4) Data-sheet no.:					
				(5) Government Working Programme <input type="checkbox"/> no <input type="checkbox"/> yes					
(b) Kind of activity <input type="checkbox"/> 1 = Act	2 =	3 =	4 = (see explanations)	5 =	6 =	7 =	8 =	9 =	(7) Survey of politically significant projects <input type="checkbox"/> no <input type="checkbox"/> yes
	(8) Start								
(9)									
1st draft	Cabinet	FC 1	FP 1	FP 2/3	FC 2	settled			
(10) Other offices concerned									
(11) Targets									
(12) Solution, alternatives									
(13) Finances needed, finances available									
(14) Public announcements by Federal government or Minister <input type="checkbox"/> no <input type="checkbox"/> yes what kind?									
(15) Public relations activities									
(16) Relation of activity to other projects									
(17) Problems, remarks									
(18) Current state of activity									

Explanation to No. 6

- 2 = Order or decree by Federal Government
- 3 = Order or decree by Minister
- 4 = Administrative Regulation
- 5 = Agreement between Federation and Land
- 6 = Report
- 7 = Directive of the European Communities
- 8 = International
- 9 = Others

Abbreviations in No. 9

- FC1 = First reading in Federal Council
- FP1 = First reading in Federal Parliament
- FP2/3 = Second/third reading in Federal Parliament
- FC2 = Second reading in Federal Council

Cursory Evaluation of the Intra-ministerial Planning Process

Apart from considerable facilitations of work, this procedure has the advantage of updating, in one work process, two information systems running parallel at least partially temporarily, thus reducing substantially the need for inquiries to actualise recurrent data. At the same time the checking of results is made easier.

Nevertheless it may well be said that the procedure described here is so far keeping within the limits of what a modern administration today can no longer dispense with as an absolute minimum. The procedure still has little in common with the establishment of an objectives programme structure like that already partially tested in other federal ministries. Owing to the dimension and heterogeneity of the functions discharged in the Federal Ministry of the Interior, the establishment of an objectives programme structure could only be achieved at disproportionately great effort and expenditure. As far as the purposes of this ministry are concerned, the decisive factor in the last analysis is that the results of the planning efforts can be continuously utilised as guiding information for the top political management, since only in this way - at least under cost/benefit aspects - the full yield will be rendered.

ECONOMIC DEVELOPMENT AND NATIONAL PLANNING*

A.M. KHUSRO

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Indian people planners and policy makers are living in somewhat strange times today: on the one hand there is a general consciousness of much good that has happened in the last three decades--maintenance of freedom, stability of democracy, steadiness of economic growth, development of institutions, agricultural revolution in some parts of the country, fairly rapid industrialisation, massive generation of skilled manpower, improved health and longevity and certain peak achievements in the realms of atomic energy, space-craft, rocketry, polar exploits and ocean development. On the other hand, there is nearly an all round consciousness of non-achievement, stagnation and even deterioration in some areas of life--very slow emergence and in some cases deterioration of democratic institutions, agitational politics, labour unrest, decline in law and order here and there, emergence of black incomes, decline in public morality, vast prevalence of illiteracy and unemployment and a failure to substantially improve the distribution of income and to eliminate poverty sooner. Thus, we have plenty of material in this country by now to choose from and we can choose depending upon whether we are optimistic or pessimistic, and whether we want to highlight successes or unsuccesses. But one thing is certain, most trends are healthy and upward looking rather than sinking or deteriorating. It seems quite possible to arrest the areas of deterioration with suitable policy measures and public cooperation. Many analysts feel that despite negativeness and shortages of resources, India, after three decades of national effort, is now poised for some kind of breakthrough.

India's continuous economic growth at about 3.5 per cent per year spread over more than 30 years is a unique phenomenon as the world goes. For one thing, this annual 3.5 per cent growth has gone on to become 5 per cent during the Fifth Plan period and looks poised to register another 5 per cent annual rate during the current Sixth Plan. For another, this lifting up of the trend line of Indian growth has come in the face of a decline of the mighty: growth rates among developed nations in North America, Western Europe, the Soviet Union, Eastern Europe and even Japan have declined from an impressive 5 per cent plus to 0.5 per cent or one per cent in recent times. It is India's steady growth at 3.5 to 5 per cent per year

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spread over more than a quarter century that has placed the country in a class by itself among developing countries. The question is how to maintain and improve this performance.

Focusing attention on areas of non-achievement and relative failure, we have now to ask the following questions: Where have we gone wrong in our planning and policies during the last 30 years? What lessons can be learnt from the failure? How should we alter our future in the light of a sober analysis of the past? How should we bring about the breakthroughs that are now expected by many amongst us? Some lines of approach may perhaps be in order as suggestions for a serious national dialogue so that the options are evaluated and the right approaches for the future evolved.

One possible area of relative failure has been our inability to control inflation. Our five-year plans and our budgetary policies have invariably been more inflationary than they need have been. We seem to be aiming always at a high growth rate and pressuring our resources to eke out that growth. But more often than not, we keep failing in this endeavour and end up with a smaller growth and larger inflation. This is not to deny that a plan without ambition is no plan at all but it is not necessary to pressurize resources unduly or to mobilise them from the wrong sources or through wrong instruments, thus provoking resistances and courting failures. The inflationary pressures emerging from such pressurisation of resources have prompted us to put a lid on prices, wages and rents through various controls. These in turn, have led to black incomes and the hiding of these incomes from tax authorities. Hence the ratio of unaccounted output and income to total output and income has been increasing and there is a strong presumption that the total output itself, and indeed the growth rate, has been: (a) lower, than what it could be, and (b) under-estimated. To that extent, it is possible that poverty itself has been over-estimated. This is not to deny the very vast prevalence of poverty with accompanying filth and degradation for which India is almost unique.

The phenomenon of black incomes has not only reduced tax resources but has increased the demand for non-institutional assets like lands and real estate, gold and jewellery and, indeed, assets abroad. It is a property of many non-institutional assets purchased by black incomes that their supplies cannot grow very much but their prices quite rise sharply. Black incomes, therefore, are generally enemies of economic growth as well as of redistribution.

THE CONFLICT BETWEEN GROWTH AND INCOME DISTRIBUTION

When a developing country develops rapidly, say at an annual rate of 7 per cent in the aggregate and 4 per cent per capita, the bottom segments of its population get caught in the frenzy of growth. But in India's case, a 3.5 per cent gross aggregate growth and one per cent per capita growth has been unable to pull up many of the bottom segments of society and involve them in the growth process. Hence it has become necessary to run special programmes for poverty alleviation simultaneously with an effort to increase the national product. In the event, it appears that rural agricultural growth in India has been accompanied by some improvement, or at any rate no deterioration in poverty proportion while urban growth has gone hand in hand with some worsening of poverty proportion.

Looking into the future, it seems possible that if the recently established 5 per cent aggregate growth is sustained or improved (as it could be) and, owing to the recent successes of family planning methods especially leprascopy, if population growth is contained at about 2 per cent the per capita output growth will rise from 1 to about 3 per cent per year. In that case, the lower income brackets would begin to get caught in the process of growth perhaps for the first time, and income growth and redistribution will begin to go hand in hand rather than contradict each other. We can aid and abet this process by enlarging and toning up our massive poverty alleviation, programmes both in rural and urban areas and cause a really serious dent into income distribution and poverty removal.

Our poverty amelioration programmes are, by and large, well conceived, but at this moment, perhaps, badly implemented. Take the largest of these programmes, the Integrated Rural Development Programme (IRDP). Here the idea is to select families below the poverty line (15 million of them in the Sixth Plan), select viable economic activities in each region, marry the family to the activity, provide the necessary capital equipment against a government subsidy and a bank loan, and let the family produce, with its own labour as working capital. In that case, whatever they produce--milk, poultry, pigs, sewn cloth, cart wheels, etc.--if sold successfully, will raise their income and (hopefully) push them above the poverty line. This programme is widely popular and extensively implemented but is passing through teething troubles which need not be long lasting. What is needed is to improve the administrative structure at the block and village levels for the implementation of these programmes, launch the back up programmes such as buffalo breeding, veterinary support, fodder support, design development and marketing structures and either organise cooperatives or enfranchise some groups for the supply of inputs, technology and design and for marketing. The important thing is to save these programmes from exploitation by the middle-men on the one hand and from the mass percolation of bureaucracy on the other.

One must not fail to note that the agricultural development of the last quarter century have put a great deal of purchasing power in the hands of agricultural people, have monetised the farm economy greatly and have converted the farmers into major purchasers of industrial, consumer goods and capital goods. A second such revolution in rural purchasing power is obviously in the offing through the current rural development programmes but this has so far gone unnoticed. There is no doubt that our rural development programmes, have immense potential for growth as well as redistribution as these are not mere welfare programmes but focus essentially on production.

THE AGRICULTURE SECTOR

Contrary to the pessimists' view, agricultural production continues the rising trend rather than reach a plateau. From 133 million tonne foodgrains at the peak of 1981-82 and a 128 million tonne trough out 1982-83, the expectations in 1983-84 are of 148 million tonnes. Nevertheless, the important sub-sector of edible oils, pulses and other dry area farming continue to stagnate. It is necessary to focus attention on three aspects in agriculture here-

after:

1. greater investment in research and technology in oilseeds, pulses and dry area farming;
2. structural changes in the eastern and central regions of India from Assam, West Bengal, Orissa and Bihar to Eastern Uttar Pradesh, Madhya Pradesh and Rajasthan, focusing on tenurial security, consolidation of holding, canal and pump-set irrigation and adoption of new technology already available in the neighbourhood; and
3. provision of fertilisers, irrigation channels and electric power at optimal prices.

THE PUBLIC SECTOR

Full-fledged market economies, which are also called capitalist economies, lose their bearings and become a subject of serious criticism, primarily because of two factors: On the supply side they replace competitive industry with monopolistic or oligopolistic organisations which then fiddle with the price mechanism, often follow restricted practices, modify consumer demand through advertisement, etc. and cannot control cyclical or recessionary behaviour and employment, on the demand side, they often lead to a maldistribution of income so that market demand does not express real demand and pushes production in the direction of less desirable items. Mixed economies are sought to be organised precisely to eliminate these two difficulties and work successfully only to the extent they manage to remove these limitations.

Now, one of the major instruments of this correction is public sector production. India too resorted to this device for various good reasons--development of infrastructures which are low-rewarding and late-rewarding and which private parties would generally not undertake enthusiastically, achievement of commanding heights so that private elements in society who cannot shake up the process of growth either singly or in unison, and distribution of essential goods in line with the real needs of the people. The Indian public sector was thus conceived as a production agent of excellence and equity.

However, the primary condition of a successful public sector is that the public enterprises, monopolies, as they often are, will not use their monopoly power and would not be exploitative. Moreover, they would exhibit a degree of efficiency in production and distribution of goods and would end up with surplus or profit generation which, when ploughed back into expansion, would strengthen the public sector itself and would bring about growth.

The Indian public enterprises over the last quarter century have doubtless provided an immense volume of infrastructure--coal, electric power, steel, railways, communications, fertilisers, irrigation and cement--and have sold these at a relatively low price. This in turn has raised the profitability of the agricultural and industrial sectors and has been instrumental in the steady growth of the economy. But the public sector has not given to itself sufficient profitability and plough back capabilities. Many of the 150 or so centrally owned public enterprises and about 700 state owned public enterprises have been the scene of low profitability, low efficiency, under-utilised capacity and monopolistic practices. Having

avoided competition from home or abroad, many of these have become inefficient and smug. Especially in the sector of power, transportation and irrigation, the performance has been questionable, to say the least. It is important, therefore, that we conduct a stock-taking of those public enterprises which have been doing badly and either introduce an element of competition from within the public sector or induct some non-public sector producers or indeed bring in some highly selected technologies from abroad in order to tone up public sector performance. There is also a sizable opinion worth reckoning that in order to subject public enterprises to public scrutiny, the shares of these enterprises should be allowed to be held not merely by the governments but, within a certain percentage, by the general public, and the workers in the public sector organisations, subject to certain maxima.

In fact, it is the persistent low profitability of public enterprises and the failure of public sector goods to reach the poorer segment of Indian society that has led to a shift of public investment, in the decade or so, away from the public sector corporations and into public sector programmes. But as the last of the public enterprise has not yet been set up, the revamping of this category is the most serious need of the hour.

When India's infrastructural and industrial base was very narrow some 30 years ago, it was important to make the public sector the builder and the carrier of infrastructures and a catalytic agent of growth. But, with the structural changes that have already taken place in the economy and with a world experience and resilience outside public enterprises, it is perhaps not necessary to expand public enterprise at the rates prevalent in the past decades. Rather the emphasis should be on a consolidation of what we have now, on the restructuring of the public corporations, on fuller utilisation of capacity, on the inculcation of management practices and an emphasis on high productivity and lower capital output ratio. One serious cause of under-utilisation of capacity and low capital productivity in public enterprises is infrastructural bottleneck. One public enterprise depends on the products of other public enterprises. Power depends on coal and coal on power; railway wagons depend on steel, steel depends on power and power again on coal; irrigation depends on fertiliser and fertiliser on oil or gas. Thus there are heavy forward and backward linkages among infrastructural industries and most of these are in the public sector. One crucial remedy for low productivity is to prevent infrastructural shortages and plan for adequate capacity and the fullest possible utilisation of capacity among public enterprises. This is a challenge for future planning and management.

Corporate enterprises emerged as it came to be understood that a government department with its bureaucratic emphasis on status quo was not the best organisation to produce for industry and commerce. Hence public enterprises were supposed to be manned by a technical cadre rather than by the bureaucrats. But in due course, our enterprises have come to be as bureaucratic as government departments and, therefore, need to be put on a more technical and managerial status. It would be best if the chairman of a public enterprise was not a political person, and if he was, he was only a dignitary rather a functionary. The Managing Director of a public enterprise has to be drawn from a technical cadre and not from bureaucracy.

unless it be that a particular bureaucrat has been career-planned in the area of that particular enterprise. Public enterprises were supposed to be responsible and answerable to the legislature and answerable once in a while, say, annually or twice-annually. But in practice, they have come to be answerable to the ministry or the department whose day-to-day interference in the affairs of the enterprise in terms of policies, appointments, contracts, production, sales, stocks, etc., has become a matter of great concern. The improvements in these areas cannot be postponed any longer.

The maintenance of the Indian economy is in a bad shape. Machinery, equipment and buildings decay extremely fast for lack of maintenance. It is, therefore, necessary that a five-year plan should consist of capital developments of the relevant time period but also include the maintenance of the capital stock generated in the past five or ten years. As the age composition of Indian Capital stock has got weighted in favour of older stock, renewals and replacements are seriously due, 26,000 railway wagons are said to be of old vintage and with a very high hospitalisation rate. Capital renewals and replacements are therefore another challenge to planning.

THE ROLE OF THE PRIVATE SECTOR

As soon as India decided on a strategy of import substitution, we protected home industry from foreign onslaughts through tariff walls and allowed local industry to go ahead subject to licensing and other requirements. Massive infrastructures of power, water supply, road and rail transportation, communication, steel, engineering, etc., were provided and the products thereof sold rather cheaply so that private industry and agriculture flourished on low-cost infrastructures. Great capabilities got built in to the private sector, the quantity and the quality of production improved and world horizons were developed in many cases. Today, the more competent amongst our private producers are poised for bit achievements. They are aware of the new technologies and have the horizons for further rapid development. It is important that their area of responsibility be widened and they be allowed to participate in the breakthrough process.

But it is also important to note that competitiveness in the private economy is as rare (in many lines) as it is in the public sector. In fact, both public and private enterprises have been the victims of monopolistic-oligopolistic organisation. Production lines like automobiles, tractors, drugs, pharmaceuticals and many others are typically in the hands of dominant concerns. Twenty companies in a given line may produce 10 per cent of the product but the other 90 per cent of the product is often in the hands of 3, 4 or 5 dominant concerns. These are price leaders, collusion makers and restrictive practitioners. Such oligopolies appears to be competitive but often get together to cut up the market into different segments, differentiating the product and thus avoiding competition. They are also known to prevent licensing of other competitors, pre-empt the licences and not to act upon these. Such market dominant producers fear that a 10 per cent increase in the product may cause a 15 per cent decline in prices and therefore do not generally produce more nor allow others to do so. Consequently they do not

introduce new technologies, nor lower the cost of the product nor bring about the economies of large scale production which will subsequently benefit the producer.

Indian today is full of such oligopolistic market-dominant concerns. Time has come to introduce effectiveness in competition by licensing more producers, as was done in the automobile industry through the introduction of Maruti, force producers to bring in new technologies, lower costs and prices, widen the market, and convert oligopoly into competition. Judicious import of highly selected foreign technologies which cannot be generated at home, but have the advantages of cost-effectiveness, energy saving, etc., would be another important element in introducing competition in private industry and making the system efficient.

OTHER ACTORS ON THE SCENE

Indian planning would naturally have to take note of the structural changes in society. Besides the widening capabilities of the Central Government, many other capabilities have been emerging in the country. The degree of administrative and technical skill available at the State level is qualitatively different now from what it was 20 years ago. The urban municipalities as well as the rural panchayats are clamouring for more responsibilities. The evolution of both these organisations got truncated some years ago but the plant has not died and has in fact, become quite resilient. The controversy about the devolution of funds from the Centre to the States hides the need for an important devolution from the States (and perhaps the Centre) to the municipalities both urban and rural (panchayats). It is time to strengthen their functioning and allocate more finances to them. Aside from these, unofficial and voluntary organisations have emerged in large numbers. Some of them only seek their bread and butter through public funds. But many of them have a high motivation for public work as well as high competence and awareness of the social phenomenon and the grass-root requirements. These have to be identified and many a responsibility and functions can be allocated to these voluntary and non-official bodies.

THE APPROACH TO THE SEVENTH PLAN : OVERVIEW*

SETTING

The Sixth Plan started in very difficult circumstances with the drought of 1979-80, the deterioration in the functioning of the infrastructure, a 17 per cent drop in foodgrains production, a sharp rise in prices and an unfavourable international economic environment. It was beset further, after the initial two years of recovery, by unfavourable weather in 1982-83. Despite these problems, the basic strategy and the programmes implemented in the Sixth Plan have yielded good results and the growth rate over the first four years of the Plan has been around 5 per cent per annum. The Sixth Plan growth target of 5.2 per cent is well within sight. The growth of employment has generally been in consonance with the assumptions made in the Plan and the rate of inflation has been brought down significantly and is under control. The functioning of the infrastructure has shown considerable improvement and, especially in the field of energy, significant gains have been made. There has been a record mobilisation of resources and public sector investment has grown at 9.9 per cent per annum, a major improvement on the 7 per cent trend in the past. About 94 per cent of the cost of investment programmes has been met from domestic savings which is a measure of increasing self-reliance in the economy. In many areas of science and technology, significant capability has been built up, as demonstrated by the achievements where specific goals were set well in advance. The new 20-Point Programme has given much-needed emphasis and impetus to crucial sectors of the economy.

THE OBJECTIVES OF THE SEVENTH PLAN

The guiding principles of the Seventh Five-Year Plan should continue to be growth, equity and social justice, self-reliance, improved efficiency and productivity. Within this framework, the movement towards social justice has to be faster and there must be a sharper focus on employment and poverty alleviation. Hence the Seventh Plan must emphasise policies and programmes which will accelerate the growth in foodgrains production, increase employment opportunities and, what is equally important, raise productivity.

The provision of productive employment will help people to stand on their own feet and work with self-confidence and self-respect, which is the first essential for ensuring their participation in developmental tasks. Instead of relying on general economic growth

*Planning Commission, Government of India, *The Approach to the Seventh Plan, Part I, Overview*, Delhi, Manager of Publications, 1984.

for raising employment opportunities without any special effort to give employment orientation to this growth, it is necessary to treat employment as a direct focal point of policy. However, employment can be sustained only if it is productive and adds to output and incomes on a continuing basis. Hence the strategy of the Seventh Plan will be to generate productive employment through increases in cropping intensity and the extension of new agricultural technologies to low productivity regions and to small farmers, through measures to make the rural development programmes more effective in the creation of productive assets, through the expansion of labour-intensive construction activities for providing housing, urban amenities, roads and social infrastructure, and through changes in the level and pattern of industrial growth. Programmes and policies have to be oriented to the objective of providing productive employment to everyone seeking it and, in every sector, priority has to be given to activities which contribute most effectively to this purpose. The implications of such restructuring of growth for employment and income-generation for the poor need to be worked out.

The emphasis on rural employment through NREP, RLEGP and IRDP will continue with better planning, closer monitoring and tighter organisation for effective implementation. Backward and forward linkages will be fully provided so that beneficiaries are able to make full use of the assistance. The Integrated Rural Development Programmes, which are now largely individual oriented will, wherever necessary, be given a wider base through the organisation of the beneficiaries into clusters or groups in order to improve the viability of the programmes. These programmes will be integrated with agricultural and rural development as far as possible by using them to create infrastructure such as drainage and field channels, roads and social infrastructure required for growth of small scale industries. In rural areas, employment has to be promoted through agriculture and through the expansion of off-farm employment in agro-based rural industries and services. In order to improve the effectiveness of employment programmes, a determined effort must be made to raise the level of literacy significantly to improve the functional relevance of education and to expand opportunities for acquiring new skills.

The growth in employment will be non-inflationary only if agricultural production, particularly food production, is augmented significantly. Improvement in agricultural production will in itself result in increase in rural employment. In recent years, agriculture has done well and this must be built upon to raise the annual rate of growth of agricultural production to 4 per cent and of food production to 5 per cent. Looking at long-term trends and the composition of agricultural growth crop-wise and region-wise, there are major gaps. The difference between potential and actual achievement is far too wide, particularly in areas where poverty is most endemic. Hence the obvious thrust has to be towards rapid increase in productivity in low productivity areas and in crops such as rice, coarse grains, oilseeds and pulses. Apart from the reorientation of investment, this will also require wide-ranging reorganisation of agricultural research and extension, infrastructure, input supply, credit and finance. As water is the most critical input for agriculture, full utilisation of the irrigation potential already created and the maximum possible addition of irrigation facilities

will be the key element of this strategy. At the same time, a special effort will be required to raise agricultural productivity in dry-land and rainfed areas.

Though the impetus for a large expansion in employment has to come from agriculture, the potential of the industrial sector cannot be minimised. The tendency has been to see industrialisation as a means for building economic strength and promoting self-reliance, which it is; but in the ultimate analysis it is indispensably linked with the removal of poverty. At present, a major constraint on industrial growth is the unsatisfactory rate of agricultural growth, which limits the possibilities of non-inflationary industrial expansion in a variety of ways. Shortfalls in food availability lead to price rises which erode investible surpluses; the slow growth in agricultural inputs used in industry limits the pace of advance in certain key sectors; most important, the slow rise in agricultural productivity can lead to a deficiency in demand for industrial goods.

As the agricultural constraint is loosened in the Seventh Plan, it should be possible to plan for higher rates of industrial growth. However, in order to economise on resources, the next phase of industrialisation has to be based on better utilisation and low-cost expansion of existing capacity. The emphasis will have to be on the modernisation and upgradation of our industrial technology and the induction of new technologies to raise output manifold. The lack of competition has also done much harm and the time has come for a new policy framework that emphasises efficiency, competition and modernisation.

Agricultural and industrial growth will not be feasible without a sound and functioning infrastructure, such as power, coal, transport and communications. Huge investments have been made in this field but the returns are well below expectations. Therefore, the most important task is to ensure that all investments yield the expected results in terms of the quantity and quality of service provided and the return earned.

India cannot afford to stay behind in crucial areas of high technology where fast growth is taking place. Moreover, the scientific and technical capabilities that have been built up have to be used more effectively to promote efficiency, productivity and technological advance in all sectors. Hence crucial, goal-oriented, technology missions must be identified and achieved by forging effective linkages between users, producers, research institutions and engineering organisations. Such comprehensive technology development plans, which take an integrated view of domestic development and imports of technology, will have to be prepared and implemented in a few critical sectors in the Seventh Plan.

There is need to improve greatly the physical well-being of the people and the environment in which they live. This will require an improvement in nutritional support for vulnerable groups, an expansion and improvement in health care, fertility control, the provision of clean drinking water and sanitation and housing.

Control of inflation is essential for protecting gains in real incomes of the poor, and for preventing the erosion of the savings of the government. Therefore, the Plan should ensure relative price stability through judicious macro-economic policies and through adequate availability of food and raw materials.

Success in achieving all the objectives described above would depend on the extent to which the Plan reflects popular aspirations. It can only do so effectively if the processes of plan formulation and implementation are decentralised. The integration of local interests with a national plan through an effective process of decentralised planning will facilitate public participation and allow people to see their concerns in a national context.

The success of the Plan depends very much on the human factor. Administrative and management cadres have to be sensitive to the social objectives which the Plan subserves. There must be greater efficiency and integrity in the implementation of all projects. Hence, the Plan must identify precise and concrete measures to change our management and administrative systems for the better.

Thus the basic priorities for the Seventh Plan should be food, work and productivity. This will require a strategy built around higher agricultural growth and creation of employment, improvement in efficiency and in quality of production and technological upgradation in industry and infrastructure, the use of less capital-intensive and more labour-intensive techniques and shift in investment priorities towards items of mass consumption and measures to improve the quality of life. With this, India can move to the next stage where the economic strength which has been built up at the national level is reflected in the strength of each region and each household.

GROWTH RATE, PLAN SIZE AND RESOURCES

The fulfilment of the Seventh Plan objectives requires a growth rate of little over 5 per cent. This growth rate should contain inflationary pressures and lead to import substitution in sectors like crude oil, foodgrains and edible oils besides generating employment and income for the poor, especially in the less developed regions.

The Plan can be based on the assumption of a 26 per cent savings rate which has already been achieved. Over the five years, aggregate investment at 1984-85 prices may be of the order of Rs. 320,000 crores of which public investment would be about Rs. 150,000 crores. The public sector outlay in the Seventh Plan would be of the order of Rs. 180,000 crores at 1984-85 prices.

The required resources have to be mobilised in a manner which minimises dependence on external sources or on deficit financing which has a high inflationary potential. In order to do this, the public sector will have to generate more internal resources through improvements in efficiency and productivity. A rational pricing policy can help but the benefits of such a policy must take into account the extent to which the output concerned is used directly within the public sector. Tax collections can be raised, even without raising rates, by widening the tax net and toning up administration. Strict controls on government consumption expenditure, restraints on elitist consumption, mobilisation of resources from the rural sector and incentives for savings are some of the other measures which need to be used. The raising of financial resources would have to be backed by the mobilisation of unemployed human and material resources for capital construction.

The strategy outlined in the section on 'Objectives of the Seventh Plan' would result in lowering of the capital-output ratio. This is of great importance if, as is likely, there is a constraint of resources in real terms. The likely increase in debt servicing obligations in the next few years, the possible reduction in the scope for additional resource mobilisation from the oil sector, and balance of payments considerations in general would necessitate a concentration on areas of low import requirements. It is also necessary that the Plan size should be such as can be fulfilled in real terms in order that underfunding of projects leading to delays in implementation and resultant increases in cost might be avoided. It is necessary to resist the temptation to spread the resources thinly on a large number of projects with adverse implications for all of them, and to ensure continuous, adequate funding of all projects that are undertaken. The allocation of resources should at all times accord priority to programmes that subserve the basic objectives indicated earlier in this paper, namely, production of food, creation of employment and improvement of productivity.

BALANCE OF PAYMENTS

The Seventh Plan has to take into account the prospect of considerably diminished inflow of concessional financial assistance from abroad, sizeable debt service obligation, and a global environment where interest rates are expected to remain high with only limited possibilities of any sharp acceleration in the volume of export growth.

The country's net earnings from invisible items in the balance of payments have declined substantially from the peak level touched in 1980-81. It would, therefore, be necessary to depend largely on faster growth in exports, and on import substitution. In the field of exports, the potential for export of engineering goods and non-traditional items should be fully exploited. The exports of engineering goods will also help the industry to become internationally competitive and to improve the quality of production. The question of incentives necessary in this regard should be examined. While making every effort to increase exports, it will still be necessary to rely substantially on import substitution to contain the balance of payments pressures. It is in this context that the policy of import liberalisation needs to be kept under constant vigilance. The establishment of linkages between the user and the supplier sectors should be an important step in increasing import substitution.

While internal generation of know-how, technology, and production have to play the dominant role and exports must be increased, the need for imports would always remain. It would be necessary however, to lay down strict priorities in the matter of imports. These should ensure that the need for essential imports is taken care of, as for example, inescapable imports required to complete ongoing projects and to enable full utilisation of capacities, import of critical items required to avoid bottlenecks, import of essential technologies to complement internal technological development and all imports that are necessary for achieving the principal objectives of the Plan.

Greater priority will be given to attaining self-sufficiency and self-reliance in areas such as oilseeds, petroleum, petroleum products and a whole range of items which account for large imports or where the content of skilled labour is high. Domestically, investments with smaller import content have to be preferred to those with larger import content and the pattern of production itself has, as already indicated, to move in favour of less import intensive production.

POPULATION

A rate of growth of population of 1.8 per cent per annum is being assumed for the Seventh Plan period, and the estimated population in the terminal year of the Seventh Plan is 803 million. This rate of growth itself is of the same order that was adopted in the exercises preceding the formulation of the Sixth Plan. There can be no scaling down of the importance of the objectives of population stabilisation in the overall strategy. Improvement in literacy and awareness, extensive programmes of information, education and communication, an appropriate mix of incentives, reduction of infant mortality through improvement of mother and child health services and satisfaction of minimum needs will all help towards this end.

AGRICULTURAL DEVELOPMENT AND IRRIGATION

The Seventh Plan must aim at an accelerated rate of agricultural development and self-sufficiency in foodgrains and edible oils at higher levels of consumption. The programmes for agricultural development will have to be integrated with programmes for alleviation of rural poverty and concentrate on the less developed regions. A massive programme of irrigation development will have to be undertaken and particular attention will have to be paid to covering small and marginal farms by tapping the ground water potential. This will be accompanied by consolidating the fragmented holdings of small and marginal farmers into viable contiguous blocks of land wherever necessary. Greater emphasis will be placed on extension work to ensure that the average yields per hectare are raised to levels close to the maximum already achieved in some parts of the country. Provision of credit and extension services, supply of inputs at stabilised prices, and appropriate price policies for the different competing crops will also be part of the strategy. Fertilizer availability, which will be critical for accelerated food production, will need to be carefully monitored so as to ensure that indigenous capacity comes on stream in time, supplemented by timely imports as required. The development of farmers' cooperatives for processing and marketing of edible oils and other agricultural products can contribute significantly to the accrual of distributive margins to the farmers, thereby providing incentives for greater investment in their production.

Special programmes need to be formulated and implemented during the Seventh Plan for effecting a breakthrough in rice output, especially in the eastern region and in some of the southern states. Similar programmes are necessary to raise the output of oilseeds, millets and pulses, with particular attention to the problems of transmission of known techniques for raising productivity in the

semi-arid and dry regions of the country. In fact, the problems of dryland cultivation will have to be tackled on a special basis. In this context, the entire organisational structure of agricultural research and extension needs closer examination and very special attention, for on their effective functioning depends, to a large extent, the realisation of much of the potential for rapid growth that exists in agriculture.

The number of unfinished irrigation projects at different stages of completion is large. Priority will be given to the completion of these schemes, particularly those at an advanced stage of implementation, and those benefiting poorer regions and regions characterised by low and uncertain rainfall. New starts will be restricted as far as possible to minor irrigation projects and to irrigation projects in drought-prone and tribal and backward areas. The utilisation of the existing irrigation potential will receive the highest priority through the construction of field channels and quick completion of ongoing Command Area Development Projects. Modernisation of old irrigation systems should also receive immediate attention, and, for this purpose, mobilisation of resources from the beneficiaries, to the extent possible, will have to be undertaken. Considerations of productivity, stability and equity require that, in regions where irrigation is scarce, attempts should be made, through appropriate policies, to maximise output per unit of water by discouraging highly water-intensive crops and by ensuring equitable distribution of water to farmers of different sized holdings.

The problems of salinity and water-logging in irrigated areas will have to be addressed on a priority basis. The provision of drainage channels, and arrangements for the use of a mix of ground water and canal water will be among the steps to be taken.

The programme of accelerated growth in agricultural production, through methods that would absorb more labour and with an emphasis on the less developed regions and small and marginal farmers, along with the effective enforcement of the minimum prescribed agricultural wages, will generate additional incomes for the rural poor. The increase in availability of food will be ahead of the rate of population growth and will keep pace with the increase in the portion of incomes spent on food, thus ensuring stability of food prices. Such a policy will also lead to import savings directly through increased production of edible oils and foodgrains; and indirectly through the evolution of a consumption pattern linked to goods the production of which would involve a lower import content. The success of this strategy of agricultural and food production will also depend upon the forceful implementation of both existing, and any additional necessary, legislation for land and tenurial reform and consolidation of holdings.

POVERTY ALLEVIATION, EMPLOYMENT AND SOCIAL JUSTICE

The package of poverty alleviation programmes will continue at an accelerated pace in the Seventh Plan. The Sixth Plan envisaged the reduction of the percentage of people below the poverty line to less than 10 by 1994-95. This will continue to be the goal. The attainment of this goal will require a larger investment in the programmes aimed at giving self-employment and wage employment to the poorer sections of the community. Since the incidence of poverty varies

among and within the states, there has to be a degree of selectivity in terms of approach, outlays and programmes for different areas. The defects and drawbacks that have come to light in the implementation of the programme have to be remedied. The tendency to view poverty alleviation activities in isolation has to be given up, and effective linkages have to be forged with other developmental activities in the rural areas to ensure that the flow of benefits from all these schemes converge on the poverty-stricken group as a package. They have to be implemented in an integrated manner with the simultaneous involvement of various disciplines or departments in a decentralised framework and the participation of people at the grassroots level through village panchayats, panchayat samitis, Zila parishads, etc. Such an approach will help in the selection of projects suited to local conditions, in the timely provision of services in their appropriate sequence and in ensuring that the benefits of such programmes really reach those for whom they are intended.

The core of the anti-poverty programmes lies in the endowment of income-generating assets on those who have little or none of these. Hence, redistributive land reforms and security of tenure to the informal tenants have to be directly integrated with the anti-poverty package of programmes. Although substantial progress has been achieved in the implementation of land reforms, a good deal of potential for redistribution of surplus land still needs to be realised. The remaining work should be taken up with vigour so as to complete the acquisition and distribution of surplus land during the Seventh Plan period. Immediate steps should be taken to identify the surplus land in the newly irrigated areas and to acquire such land for distribution among the landless. The present individual approach to the poverty alleviation activities needs to be substituted by group ventures and collective action to protect the beneficiaries from the adverse operation of market forces whether on supply of inputs or on the sale of their produce. In the ultimate analysis, the objective of removal of poverty can be fulfilled in the measure in which the poor themselves, become conscious, improve their education and capabilities and become organised and assert themselves. Women, who constitute half of the work force in rural areas, have to be given much greater recognition than hitherto, and equipped with and trained for appropriate skills to operate such productive assets which would contribute to raising their own and household incomes. The flow of credit through the banking infrastructure will have to be more effective and easy so as to reach the beneficiaries and the target groups.

The generation of gainful employment through integration of the sectoral production plans with employment plans and enlargement of on-going employment programmes under a National Employment Programme to cover specific target groups will be emphasised in the Seventh Plan. Employment schemes will aim at the creation of durable assets, skill formation and generation of permanent and continuing employment with progressively increasing income levels. In addition, the schemes will continue to promote self-employment in economically viable activities backed up by the requisite training, credit, marketing and organisational linkages. The administrative machinery at the local level for implementing minimum wages for agricultural labourer will have to be streamlined, and measures taken to

strengthen the organisation and bargaining power of agricultural labour. Besides maximising employment generation, utmost attention should be directed to the improvement of labour productivity in all sectors of the economy.

The poverty alleviation and rural employment-oriented programmes should ensure the kind of development that would shift a sizeable part of the rural population from agriculture to the secondary and tertiary sectors. In this context, the further development on an extensive basis, of agro-based industries is of great importance. A logical corollary of the implementation of programmes that will increase rural incomes and rural employment will be the production of consumer items in rural areas with guaranteed marketing arrangements. This would also revive a number of handicrafts and hand-made items. This situation should be utilised to give considerable fillip to the handloom industry and increase its production.

Measures for the protection of Scheduled Castes and Scheduled Tribes and other weaker sections from inequitous practices leading to the alienation of their land will have to be strengthened. The strategy of the Special Component Plan for development of Scheduled Castes aiming at economic and educational development and bringing about improvement in their working and living conditions launched in the Sixth Plan period has given a clear direction to the economic and social advancement of Scheduled Castes. The pace and quality of its implementation need to be considerably geared up, and intensified through: (a) beneficiary-oriented programmes to raise the incomes of those below the poverty line, (b) basti-oriented schemes, (c) elimination of scavenging, (d) educational development, and (e) administrative and personnel reforms.

The planning strategy for tribal development will continue to be a mix of beneficiary-oriented and infrastructure and human resource development programmes. Special emphasis will be placed on minor irrigation, soil and water conservation, cooperation, rural roads and land reforms in the infrastructure sector; drinking water supply, general education, technical education and health in the social services sector, and agriculture, animal husbandry, dairy development, fisheries, forests and small village and cottage industries in the production sector.

Special attention will have to be paid to rehabilitation of tribal families displaced as a result of developmental projects and programmes and the plans for such schemes should include physical and financial components for rehabilitation of displaced families.

Public distribution of essential commodities like foodgrains and cloth to the vulnerable sections, especially in rural areas where productivity and wages are low, should serve as an essential complement to the programmes for employment and income generation. Otherwise, the rise in the cash income of the poor can easily be neutralised by the rise in the prices of essential commodities. Public distribution of essential commodities to such sections needs to be expanded on a much larger scale than has been done so far.

REGIONAL DISPARITIES

The problem of regional disparities in development has to be tackled at different levels. Part of the solution lies in the development of agriculture in the less-developed regions. However,

it is a much wider problem and its resolution requires a close re-examination of the mechanisms for channelling the flow of finance, policies on industrial location, the distribution of investments in irrigation and infrastructure and a host of other matters. It is essential that the regional dimension of development is dealt with as an integral part of the Seventh Plan.

Special programmes like DPAP and DDP for disadvantaged areas have been found to overlap with other programmes considerably. These might have to be re-oriented, and special programmes may have to be formulated for the development of other kinds of disadvantaged areas such as water-logged or flood-prone areas, alkalinity affected areas and saline coastal areas. In the case of the Desert Development Programme, the need to give greater thrust to it, if necessary, by remodelling it on the lines of other special area programmes like the Hill Area and Tribal Programmes will have to be examined.

SOCIAL SERVICES AND HUMAN RESOURCE DEVELOPMENT

One of the primary tasks of the Seventh Plan must be the harnessing of the country's abundant human resources and improving their capabilities for development with equity. This is how the programmes for alleviation of poverty, reduction of economic and social inequalities and improving productivity can be integrated with development. The strategies and programmes for education, communication, training and organisation should be such as to release the latent power of women and youth as also economically weaker population groups, so that they can make an increasing contribution to the socio-economic development of the country.

An important aspect of human resource development is to match manpower planning with educational planning to avoid imbalances between the supply and demand in regard to trained and educated manpower. Existing training programmes would thus need to be reviewed. The traditional skills of rural artisans require upgradation in tune with the changing village culture and to improve their competitiveness. Training facilities will have to be organised for categories of manpower where critical shortages have been identified and in the formation of new skills which are emerging. Policies to attract and develop the required manpower for the hill and tribal areas will have to be pursued with vigour.

In the field of social services some major advances are needed in the expansion of elementary and secondary education with a vocational bias. A more flexible design of education should be evolved to make it relevant to local culture and environment and to the problems of community health. In the field of higher education, there should be the utmost restraint on any unplanned expansion. The emphasis should be on the improvement of quality, keeping in view the specialised needs arising from modernisation and the demands of new technology. The minimum qualification for jobs which do not require a university degree should be downgraded to avoid influx of students into purposeless higher university education. Training in intermediate skills needs to be undertaken on a large scale for the provision of various services, including primary health services. Provision of clean drinking water and clearance of slums and provision of housing for the poor, both in the rural and urban areas, have to be given greater priority in the interests of general

welfare as well as productivity. Such extension of education, training in skills and health facilities to the rural and urban poor offers now the most important avenue for reducing social and economic inequalities. A significant increase in the level of literacy and the provision of clean drinking water all over the country without exception must be among programmes of the top most importance.

In the Seventh Plan, the considerable and fast developing communication infrastructure will have to be viewed, and harnessed as an important instrument and an integral part of the country's efforts for achieving universal education, economic development and social justice.

INDUSTRY, INFRASTRUCTURE AND CAPACITY UTILISATION

To meet the objectives of the Plan, industrial output will have to grow at about 7 per cent. The emphasis on agricultural production will require adequate growth of sectors like fertiliser, pesticides, and essential agricultural machinery like pumpsets, power tillers, etc. Facilities for production of basic wage goods and essentials of mass consumption like sugar, vegetable oils, drugs, textiles, paper and consumer durables will need to be modernised and expanded. It needs to be recognised that the industrial sector has played an important role in the structural transformation of some regions of the national economy and a suitably designed strategy for a faster rate of industrial growth will be one of the elements of the poverty alleviation and employment generation strategies.

One of the factors responsible for investment in real terms lagging behind target is the multiplicity of bottlenecks and shortages within the sectors producing infrastructural goods. Since these are extensively interlinked, the bottlenecks and shortages have affected the economy's performance substantially and have had a compounding effect in almost all sectors. In the Seventh Plan, it will be necessary to ensure that lags in production of the key infrastructural or intermediate goods like steel, cement, coal, railway, transport, communication, irrigation and fertilizers do not become mutual bottlenecks. Nor should there be any idle capacity in any sector. Careful planning and timely implementation must ensure that capacities in basic infrastructures (and supply) are available in time to match rising demand.

The Seventh Plan has to lay emphasis on improved utilisation of capacity by pinpointing the factors responsible for the existence of idle capacities. Continued, regular and intensive monitoring of all major public sector enterprises and especially of capacity utilisation, should be used effectively for this purpose. Projects adding to infrastructure capacity have to adhere to time-schedules laid down, and accountability has to be insisted on.

Along with capacity utilisation and expansion, it must be ensured that existing capacity is effectively maintained, that such maintenance is provided for and that the provisions so made are in fact used for the purpose.

Management of the energy sector is a key task for the Seventh Plan and beyond. The major need is to reduce the rate of growth of energy consumption in relation to GDP growth; to substitute coal and electricity for oil through appropriate technologies, and to manage

supply and demand by suitable price and tax policies. Inter-fuel substitution possibilities should be recognised and the measures required for realising them adopted. Systematic attention should be paid to energy conservation by identifying specific measures, quantifying the gains expected, and building those expected gains into the energy demand forecasts. Rural energy needs will have to be built into plans for the rural sector so that these are provided for in an optimal manner. The worsening thermal-hydel mix makes it difficult to raise the plant load factor of thermal plants, and a determined effort at restructuring the load-curve and setting up peaking hydel capacity is imperative if utilisation of thermal capacity is to improve. Investments in transmission for evening out regional surpluses and deficits which can lead to improvements in utilisation must be given priority. The establishment of a competent National Power Grid by 1990 and a modern and efficient communication system in the power sector must be provided for.

In the field of transport, the crucial task ahead is to reverse the inability of the system to cope with the overall demand. This should be managed through stepped up investment effort, a shift in priorities, technology upgradation and optimisation of capacity at the operational level. The completion of essential ongoing projects which either improve the efficiency, or add to the capacity, of the system should be given top priority. The choice between alternative modes of transport should be based on comparative resource-cost advantage with appropriate weightage given to energy. The capacity in the transport sector should be created marginally ahead of demand to avoid any bottlenecks in economic development and to provide a cushion in the system to meet spurts of traffic and changes in the pattern of movement.

While improving the basic amenities in the metropolitan centres and other cities, especially for the benefit of slum dwellers, the Seventh Plan should pay greater attention to the provision of urban amenities in rural areas and for shifting the infrastructures, to the extent possible, to where the people are instead of shifting people to where the infrastructures are. A national housing plan for rural and urban areas especially focused on the needs of the weaker sections is absolutely necessary, especially because investment in housing is highly labour-intensive and induces people to save more.

The possibility of providing high quality instant communication to remote locations through the use of INSAT and other modern means of communication should be utilised to remove isolation, encourage dispersal of industry, and increase the efficiency of projects located far from the urban concentrations of infrastructure.

EFFICIENCY AND PRODUCTIVITY

Without greater efficiency in the management of the existing resources and assets created at a huge cost in the course of the last three decades of planning, it would be difficult to generate adequate resources for stepping up investment.

Efficiency is essentially a question of management and of allocation of resources. It needs to be worked out as to what extent decisions regarding investments, product-mix, pricing and wages are best left to the managements of public enterprises, within the

framework of overall accountability. Professionalised management has to be promoted through training at different levels.

By planning to give the work-force a share in the fortunes of enterprises through a share in management and by improving industrial relations, the Seventh Plan should aim at improved work-ethics, greater pride in work and reduced absenteeism; it should minimise the loss of working days and increase the man-hour productivity substantially.

Through these measures, the Seventh Plan should aim at the conversion of the losses of public undertakings, especially in the power, coal, transport, heavy engineering, textiles, pharmaceuticals and the irrigation sectors into surpluses and at a delinking of the deficits of these enterprises from the budgets of the Central and state governments by making these enterprises self-reliant and responsible for generating adequate internal resources.

One of the major causes for inefficiency in the utilisation of existing capacity is inadequate balancing investments in sectors which make for fuller utilisation of capacities created, e.g., the construction of field channels and Command Area Development Programmes, improvement of coal quality and its effective transportation, outlays for transmission and distribution of power, etc. A better balance between investment in the creation of capacities and investment in complementary sectors making for fuller utilisation of capacities created is called for.

Since the need to improve the efficiency of investment and to raise the rate of productivity growth is now urgent, an attempt should be made in the Seventh Plan to lay down productivity targets in as disaggregated a manner as possible, and at the same time set out appropriate norms for economies in material and energy use in all key sectors and industries, to be achieved in a given time-frame. It is also essential to identify the specific measures that need to be adopted for realising targets and norms, and for monitoring progress.

Productivity improvements are sometimes sought to be realised through increases in the unit sizes of plant and equipment. However, in many cases, these productivity gains and economies in capital cost have not been realised to the anticipated extent because of the non-availability of the infrastructure required for the optimum utilisation of these large plants or because of management constraints. Hence, even from the point of view of productivity improvement, increases in unit sizes (and, for that matter, other new technologies) must be in keeping with the infrastructure available. No new investment should be made for expansion of a project unless the original project has been completed.

A nation-wide programme should be launched to achieve excellence in the quality of manufactures, goods and services.

THE ENVIRONMENT

The need to conserve natural resources and environmental quality, particularly to prevent damage to fragile and irreplaceable ecosystems, has been increasingly reflected in national policies for over a decade. All future development programmes must take environmental considerations fully into account. Towards this end, environmental factors and ecological imperatives will have to be incorpora-

ted into the design of all developmental projects from the very commencement of their planning. All activities which might cause loss of environmental quality or unacceptable damage to eco-systems will have to be carefully regulated. Planning and implementation of projects should minimise environmental degradation, such as the loss of genetic diversity, air and water pollution and other environmental hazards which might threaten health and well-being. Environmental Planning must now be projected to achieve both sustainable development as well as ensure a quality of life.

Afforestation programmes, both in plains and hills, need to be stepped up to outpace the rate of denudation and to contribute to soil conservation. Such programmes would be a major source of employment and income for the poor, apart from providing fuel and fodder for meeting local needs. Integrated management of resources on a watershed basis with the participation of people would be given high priority. Studies on population dynamics as an integral part of environmental planning will need to be taken up.

SCIENCE AND TECHNOLOGY

The potential of Indian Science and Technology for contributing to the objectives of modernisation and development is far greater than has been realised in the recent past. Substantial capabilities have been built, but these have not been brought to bear in full measure on the national tasks. In the formulation of the Seventh Plan, this weakness will be addressed during the initial formulation of plans and projects by identifying the scientific and technological inputs required and then initiating the necessary development work as part of the Plan. The attempt will be to give up the practice of considering science and technology as a sector in its own right and to ensure that the bulk of science and technology effort is an integral part of all economic and strategic sectors.

The achievements of various mission-oriented science and technology agencies have been substantial. The human expertise and know-how in basic technologies achieved in this process is applicable in many other areas of industry, agriculture and rural development. There is a whole host of problems in these areas, the solution of which can be simplified by the application of technological knowledge so available. This effort should, therefore, be part of the planning process, particularly in the area of rural development.

ADMINISTRATION

The regions of fastest growth in India highlight the crucial role played by the administration in development, in terms of managing the infrastructure and the speedy disposal of matters that come up to government as well as of general responsiveness to developmental needs. Greater attention should be paid to the imperative need for utilising this important resource as an instrument for speedy development. This would require reforms in the administration of public enterprises involving questions of autonomy, accountability, etc., and coordination between different sectors of government, including simplification of laws, rules and procedures for ensuring speedy disposal of cases. Planning should increasingly be concerned with the appropriate administrative arrangements and personnel policies,

especially in the less developed and remote areas and in the implementation of programmes for the weaker sections. There is need to emphasise motivation and values in accomplishing goals of economic and social development. The example and outlook of the administrative and managerial cadres affect the beneficiaries of all programmes. Our management and administrative systems have to be improved to eliminate inefficiency, cynicism and lack of integrity. There is also need for elimination of the numerous points of unnecessary and petty restrictions which have increased partly because of inertia-dominated adherence to past procedures and rules.

DECENTRALISATION OF PLANNING

To achieve the twin objectives of effective implementation of the anti-poverty programmes and ensuring a balanced regional development at least in respect of the minimum needs, it is essential that the planning process is also decentralised. As the district is a well-known and accepted administrative unit, the decentralisation of planning from the state level should be taken to the district in the first phase. Eventually, the decentralisation of planning should be extended further to the block level, particularly for the more effective implementation of anti-poverty programmes. The state governments could set apart plan outlays for the schemes and programmes to be planned and implemented at the district level and encourage planning with public participation at the district level for such schemes and programmes. In this context, the need for, and the possibility of, introducing a larger unit than the district at the intermediate level of planning might also be examined, since a district might be too small a unit for planning some of the infrastructural facilities required for decentralised development.

CONCLUSIONS

The Seventh Plan has to consolidate the gains of past investment spread over three and a half decades of planning and to launch the country on the path to further development, geared to equity, removal of deprivation and a tangible rise in levels of social welfare and social consumption, especially of the disadvantaged sections of the population. The strategy for this purpose will be built on the basis of an emphasis on food, work and productivity.

The important features of the Seventh Five Year Plan would be:

1. Decentralisation of planning and full public participation in development.
2. The maximum possible generation of productive employment.
3. Alleviation of poverty and a reduction in inter-class, inter-regional and rural-urban disparities.
4. Attainment of self-sufficiency in food, at higher levels of consumption.
5. A higher level of social consumption, particularly in education, health, nutrition, sanitation and housing.
6. An enhancement in the degree of self-reliance through export promotion and import substitution.
7. The acceleration of the voluntary adoption of a small family

norm and a positive role for women in economic and social activity.

8. A reduction in infrastructural bottlenecks and shortages and improved capacity utilisation and productivity throughout the economy.
9. Efficiency, modernisation and competition in industry.
10. Conservation of energy and promotion of non-conventional energy sources.
11. The integration of science and technology into the mainstream of development planning.
12. Ecological and environmental conservation.

All these will be sought to be achieved through a result-oriented approach in which a number of well-defined major missions will be identified, broken down into their programme elements and implemented through coordinated inter-agency projects.

PLANNING :

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Editorial

THE PRESENT issue of the *IJPA* is dedicated to the memory of the late Prime Minister, Smt. Indira Gandhi, who was for a number of years the President of the Institute. The Indian Institute of Public Administration owes a great deal to her wise guidance and support. This issue opens with a record of her address to the participants of the Advanced Professional Programme in Public Administration of the Institute, who called on her at her residence on February 7, 1984. The address covers a wide gamut of issues and problems of interest to administrators and the community in general. We have also compiled some extracts on subjects of contemporary interest from her speeches. These extracts again cover a wide variety of issues relating to public policy, planning and development and different facets of administration.

The focus of the present number of the *IJPA* revolves round the broad theme of rural development. As is well known, the late Prime Minister, among other things, laid great emphasis on rural development. She had an abiding interest and concern particularly in seeing that the fruits of development reach the weaker sections of the society. As a part of her government's strategy of rural development, many special programmes for improving the condition of the rural poor were launched to realise the plan objective of achieving growth with social justice.

It is recognised that for operational and conceptual purposes, while we do try to distinguish the two aspects of development between rural and urban, development does constitute a continuum. Morton R. Davies, in his perceptive contribution, tries to sum up the experience of development strategies during the two Development Decades and also indicates the lessons that his analysis throws up. This does provide a general perspective for the study of the principal theme.

We have a number of articles which discuss the issues relating to administrative, organisational and managerial aspects of rural development in our country. The administration of rural development, including the crucial arrangements for horizontal and vertical coordination, requires restructuring, changes and improvements. This is well brought out by M.G. Shah, Iqbal Narain and P.C. Mathur, Ashok Subramanian, Madhukar Gupta and others. Again, we have articles by H.K. Asmerom and Madhab Prasad Poudyal which provide some comparative insights into the operationalisation of rural development policy and strategy in the light of the experience of two other developing countries. It is not difficult to visualise the commonalities and contrasts in the management of human affairs.

Some contributions deal with specific schemes or projects. Samuel S. Lieberman examines in some depth the Employment Guarantee Scheme, T.K. Jayaraman explores the important area of irrigation projects to identify the socio-economic determinants of the participation of farmers who obviously are the intended beneficiaries of these schemes. Public participation has come to occupy a key position in the successful implementation of any scheme of development. C.V. Raghavulu and E.A. Narayana dilate on the issues of implementation of a development programme at the grassroots level through the case study of Sangam Dairy. Many of the dilemmas of planning from below make their appearance and merit further probe through research studies.

Bhupendra Hooja, in his analytical presentation of banks' role in promoting IRDP in Rajasthan, and P. Arjun Rao, in his contribution on the organisation and working of District Rural Development Agency in one of the districts of Andhra Pradesh, do give some kind of a rounded picture of the

IRDP policy as well as operational issues of efficiency, economy, equity and effectiveness which begin to loom large before our mental horizon for self-introspection. We have referred to the equity aspect of the process of development. From this angle, Bhupinder Singh provides an appraisal of the programmes of tribal development in the country.

It is now admitted that development cannot be carried on the shoulders of bureaucracy alone which none-the-less has an important and even a determining role to play in our approach to rural development. Shriram Maheshwari has a viewpoint of his own in this regard and raises issues which deserve dispassionate discussion in the overall politico-administrative milieu in the country. The scarcity conditions or other kinds of emergencies in the rural areas present a direct challenge to bureaucracy. Relief is not only of immediate relevance but gets linked with planning and development as such. New areas and techniques of 'disaster management' or 'crisis administration' are emerging and they have long-term implications for the efficiency, promptitude and responsiveness of bureaucracy. Looked thus, Sundeep Khanna's nuts and bolts analysis of relief work in a district assumes significance for rural development.

The monitoring and evaluation of rural development programmes continue to suffer from constraints and inadequacies. Strategies and techniques have to be properly understood. But in this field, macro approach does not work. Systems have to be devised and tailored to specific schemes or projects. This itself is an exacting process. Moreover, the proverbial inertia and resistance should also not be ignored. Ritualism sometimes tries to defeat the very purpose of both monitoring and evaluation. The need for accountability may be repeated *ad nauseam* but, apart from bureaucratic apathy, there may be powerful economic or socio-political interests which can hardly be expected to relish either effective monitoring or evaluation. This stark reality has to be taken note of by the political system which really claims to work for social, economic and institutional change. A.P. Barnabas and S.K. Pachauri have generated some useful ideas from this angle.

We believe that the present issue, being almost in the nature of a number devoted to the broad area of the problems

and facets of rural development, should be of interest and use to our discerning readers.

This issue is our humble but meaningful homage to the socio-economic vision of the late Prime Minister and the former President of the IIPA.

—Editor

Speech by Shrimati Indira Gandhi*

I WELCOME you here this morning. There is so much to say that it is a little difficult to know where to begin and how and what to say in the short time that is available. Administration is difficult anywhere in the world of today. But in India it is doubly so because of our special circumstances and also because much of our thinking and the systems that we have derived from other countries have very little relevance to the conditions in India. Many of our experts are trying to change and reform them, but since most of the books on sociology and economics are still coming from the same areas, I suppose most of us cannot help being influenced by them.

I am not going to talk directly about administration. That is your job.

I think the whole point of the course is that you should get training to face the difficulties which beset our country and our population. One of the main aims for which we fought during the freedom struggle was that alongwith freedom our people who had so long been denied their rights and privileges must gain them. Gandhiji admonished us all the time that rights must be matched by obligations and duties. But in our Constitution, in our outlook and education, even in our planning somehow the entire emphasis was on privileges and rights, without stress on corresponding responsibility. What is happening as a result is that no matter what quantum of work may be done, it is immediately disregarded and questions are raised about what has not been done. This is not only true of the ordinary population, but also of those in responsible positions who feel that major projects must be taken up in every constituency.

Obviously much has not been done. But the demand today is not for programmes that would reach all the sections of the population. What is demanded is either a petro-chemical complex or a steel complex, that is, something which is very costly and even may not be needed. We now have enough of steel. In fact, we have a bit of a glut. We do not need the type of steel that we are producing, because we now need a different type of steel.

I shall give you another example which is fresh in my mind, as it was brought to my notice only couple of days ago. We have various voluntary workers, who are non-political and going on their own to various villages for social work. They are doctors and others who devote their time without

*The late Prime Minister gave this extempore address on the morning of February 7, 1984 to participants (senior and middle-level officers from State and Union Government departments in India) undergoing a long-term course at IIPA who called on her at her residence.

asking anything in return. Some of them came to see me, not to present their problems but in connection with some international conference. They mentioned in passing that when they went to rural areas nobody appreciated their work for which most of them spend their own money. They went on Sundays and sometimes on Saturdays. Whether it was an eye camp or mother-and-child health care, there was always a large crowd waiting. However, people standing in the middle or at the end of the queue got impatient and started abusing them, in spite of the fact that they (the voluntary workers) did not take a break from work even for smoking or having a cup of tea and in spite of giving an assurance that they would also be examined after those ahead of them in the queue had been examined. But they persisted in their completely negative approach and demanded that as they were not attended to, they would go back,—as if the villagers were doing a great favour by coming.

I have given this example in some detail because it reflects an attitude of mind which, I am afraid, is spreading all over the country. Everybody from top to bottom is asking for what he should get and, as President Kennedy said in his inaugural address, nobody is saying what he should give to his country. Our administration is also afflicted with such an attitude.

I think we must somehow inculcate this feeling in the minds of our young people and even among others, that it is simply not possible for any government to do everything for the people. It is not possible even in the most affluent and industrialised countries.

While choosing the political system for our country, we tried to adopt the middle way. We are neither communists nor capitalists but we are trying to work an Indian type of socialism which, you know, we call a mixed economy. But in the process we seem to have got some of the evils of both the systems. I personally feel that neither of the two systems has worked in any country. Both groups of countries are facing different types of difficulties. Whether our system is workable or not only time can tell. For this very reason we have to have a certain flexible outlook in administration. Therefore, while sticking to basic values and ideals, we have to go in the right direction. How do we get there? How do we change our methods? As development takes place, the needs and attitudes of people also change and as such, adherence to old rules does not help. But we find that we are tied up in some of the very old rules which the British had left us. We cling to them although some of these rules have been discarded even by Britain and other countries. We have not evolved rules or methods of working which are more appropriate. This perhaps is the reason why some of the programmes for the poor are not functioning properly.

Take the banks, for instance. One of the greatest complaints I get from people who come to see me every morning is that rural banks are not functioning properly. This is so mainly because we have not been

able to inculcate the feeling of social service in bank employees, the attitude that they should treat rural people as equal, the feeling that in their jobs they are not masters but people serving the common man. This is very essential in our country. You cannot govern properly unless there is people's participation, people's involvement, and a shared feeling of responsibility. This is lacking in our country. We must all do something together to achieve it. It cannot be done by magic.

All governmental systems and forms have been tried out in the world. I think that of all of them, democracy is the best. Firstly, it is flexible. Secondly, it gives an opportunity to individuals to put forth new ideas to safeguard and promote people's individuality. What is most important is that the administration in such a system cannot put the lid on something that is boiling or could boil over.

Democracy means both opportunity and responsibility. The Opposition has no less positive a role than the Party in power. But, unfortunately, in today's India, we are not getting that cooperation from the Opposition which is a normal feature in most of the democracies that I have visited. You will find there that there is opposition on many issues, but once a government is elected, they don't try to disrupt governmental functioning. They show opposition in many ways, but they don't try to create such situations which pose difficulties for any party which may come to power subsequently. But in this country, the Opposition has no sense of responsibility for the future. This phenomenon is not an exception but so prevalent in the whole country that whatever you try to do, obstacles are created just for the sake of it. This has been reported to me by our people at different levels, such as journalists, intellectuals, and so on.

I was told that my father created the IIPA and that you try to follow his ideals. But are we keeping to his ideals in this country? We certainly do not have the kind of democracy which he had envisaged. He had envisaged a democracy where there would be different kinds of partnership, without suppressing anybody or any opinion. On the other hand, what is happening today is that support to government opinion is being suppressed. Many people have told me that support to government means a risk to their jobs. Obviously this is what India's administration looks like. People in administration have told me that if they speak in support of any particular government policy, they will be branded as 'chamchas'. What is most painful is that such terms have gone down even to small children. I have been told that such terms are being used even in schools by children.

If this is the atmosphere, how can the government function? What is the legitimacy of government if its authority is eroded? Government is not one person or a minister. Government is a collective body, something that goes down the line, down to Village Level Workers. It is obvious that if authority is eroded, you cannot deal with any situation. This is what is sought to be created. Such thinking does not help any Indian but

only those who do not want India to be strong.

Our policy has been one of friendship, peace, coexistence and cooperation. We believe in friendship. But the very practical reason why we need it is that peace is necessary for our development. But I am convinced that there are elements outside who do not want to have peace in this subcontinent and as such do not want us to be friendly. Perhaps they are afraid that if we are allowed to do so we will become too strong. The feeling of animosity against India is also based on this very reason that India has tried and is trying seriously and sincerely to be self-reliant. We must recognise that we cannot survive without becoming self-reliant. It is not merely a matter of any particular policy, but an evident fact that we are too large a population to be bailed out of any difficulty by any one country or any group of countries, howsoever affluent they may be. So we shall have to stand on our feet, whatever the difficulties.

I know that the Administration has many difficulties. Quite often groups of administrators, who have been trained either in the Mussoorie Institute or elsewhere, tell me about the problems they face due to local situations or due to local politicians. I do not deny existence of these difficulties. But all these are interconnected. Each of us is laying the blame on the other. None is willing to say: "Let me at least do the right thing. Then we shall pursue other people." Each one of us can make an effort in that direction.

Unfortunately, large portions of the Press look only for what is very spectacular or disastrous. Only quarrels between people are thought worth reporting. This is not unique to India but is happening everywhere. To them development is not news, achievements is not news. I think there is hardly any foreigner who, after visiting the country, has not observed that he found India quite a different country from what he had expected. Lots of people who read news about India ask how they can come here as the whole country seems to be on fire. When they come here they are surprised to discover that they are free to travel all over the country, except some prohibited defence establishments. They find their experience quite different from their earlier expectations. They are astonished why our newspapers write so much against the government. Can someone say why do they indulge in creating an impression that is not favourable for the country? But this is what is happening and people are getting an impression that India, as a country, is no good. Now my objection is precisely this. Nothing that one says should be personalised.

If we have a conference here, the conference is not to eulogise the Prime Minister. The conference definitely has some more serious purpose. And if, in the process, the things are well done, it is the country that gains. The credit does not go to the government. The impression that emerges is that here is a country that can do things. This exactly was the feeling that emerged from various conferences held in India. Even for the Commonwealth Heads'

Conference, the Commonwealth countries and others had thought that a developing country like ours cannot manage a conference like this. But they were surprised that everything went so smoothly. About the Non-Aligned Conference also the same thing was said. Apart from giving prestige to the country, it also enabled us to put through our ideas in a way that has some impact on the rest of the world. It had tremendous impact on other developing countries because they felt that if India could do something they could also do so, we must try to do it and not let ourselves be pushed around. And that is necessary because otherwise what have we fought for? We fought for freedom, and freedom does not mean just having an Indian Government. It means that the country has the freedom to develop in the way it wants to develop. It has the freedom to keep its own personality, the traditions it wants to keep, and so on. Now the western world simply does not realise this. I cannot say for certain whether the others realise it either, as we don't get their literature in the required quantity. They see everything according to their own standards. They ask, "What is India's growth rate?" "How many cars have you got?" Now, is it that sort of growth that we want? There is a lot of controversy about it. We would like to know, for instance, how many people remain hungry there each day? How many people queue up at shops to get foodgrains? Now, I can't imagine that in countries with so much money and such affluence these conditions should exist. Even though their poor are much better off than our poor, there is no doubt that they still have hungry people and people who cannot get health services. There are large sections of population who are discriminated against. Now, that is not my idea of the sort of freedom we want, or the sort of democracy that we want.

So, while studying, as you do from western books, you have to keep all the time the Indian situation before you. What is it that we want to do in India? In our country, we have an Indianness which binds us together. In this Indianness, we have many personalities and we have not tried to suppress any of these personalities. This is also something that they cannot understand in the West. The West is very much dominated by the USA. How was the USA formed? The USA was formed by various peoples coming from outside. And they felt that the only way to have unity and strength was that everybody must conform to one personality. So they could not keep their respective languages and religions for fear of interference with unity. I think, except perhaps in the very beginning, they were supposed to conform in every possible way. And those who did not were called all kinds of names. So many people changed their names because they didn't want to stand out from others. There is no point now in arguing about what happened in the USA. Here, in India, we want that groups of people in different states and within each state and district must have the opportunity to keep the personality that they want to keep.

This means that when you are dealing with those people administratively, you have to see them not only as one whole India but also as its particular part, a particular community, a particular group or section having particular needs which may not be same as a few miles away. We speak Hindi in the North. But let us take the case of UP: I don't know whether some of you here are from UP. You will find in UP that within a distance of few miles the Hindi differs. Everybody does not understand the Hindi that we speak here. It is not that you have to learn that variant of the language, but you have to see what is their mental make-up and how can you reach out to them, firstly, to give them self-confidence and self-respect and, secondly, to give them the feeling that they must work for their own upliftment and that you are there to extend all help to them for this noble purpose. This is the thing and atmosphere that we have to spread. Take the case of America, where initially they had to dig the earth with their bare hands for sowing their fields. They have really risen through the very hard work of their pioneers. We seem to be taking everything from America, but only its superficial part and not the substance which was at the base of the success of that country.

How to maintain this diversity in administrative functioning, you can perhaps think of yourselves. But the major thing is that our attitude must be positive and not negative. This does not mean that you ignore their faults. If you ignore them, you can't correct them. You must know the faults, the shortfalls. You must also know where the change is needed. We have been taking up different programmes for implementation. Now there is no reason to continue with such programmes as are not working or giving the desired results. We find that we are so caught up in midst of our laws, that we remain stuck to a law even when it is not serving anybody. And we find that many useful things cannot be done because somebody picks up the letter of law. So some time the innocent people get caught, while the guilty goes free. I have discussed many times with the judges about it and they agree that something has to be done in this regard. But I do not think we are getting on to what possibly can be done and how it can be done, because the whole thinking is as if we are in a closed shell and we cannot break it open. Now, the administration should not be closed up in a shell which you can't break open on your own.

What we need in this country is thinking people: People who are thinking ahead, because future is full of change. As we go along, the challenge of the future is becoming bigger and bigger and more and more difficult for countries like ours. Some people feel that the advance of technology in the West is so fast that there is hardly any chance for the poor nations ever to catch up with them, as by the time they do something it becomes obsolete and the others have gone many many steps ahead. In this situation, we need an administration that has its feet on the ground, and is in close touch with the common people and their problems, and yet thinking ahead, and

persuading people working in it that they have all to work at different levels in that direction. Life is not going to be easy. I can only say that easy life can seem tempting but it is not a satisfactory life. And wherever people have ease now, they have always acquired it through undergoing hardships and adventure. So I advocate following the difficult path, not just for the sake of difficulty but because that path, in the long run, leads you to success in your work, and gives you personal satisfaction and a sense of great achievement. I am very glad to have met you. □

Development Strategies During Two Development Decades: Lessons for Future

Morton R. Davies

INCREASING DIVERSITY of the modern world has not obviated the appropriateness of classifying nations into two broad categories: developed and developing. There is still, in general, a stark contrast between industrialised countries of the temperate regions of the North and the poorer ones of the tropical and sub-tropical areas of the South. This provides the main rationale for discussing problems associated with strategies and efforts at development in a North/South framework.

CATEGORISATION OF NATIONS

Economic Factors

The 25 per cent of the world's population, resident in the North, command 80 per cent of the income. In addition, the industrialised nations control the global system of trading and finance, which enables them easily to sustain the production systems. Thus, the role of the Third World countries has been restricted to that of suppliers of untreated primary products and to sustain structures that were established when most of the Less Developed Countries (LDCs) were under colonial rule, so that, despite acquiring political autonomy, they continue in conditions of economic dependence.

There are abundant indicators of the persistence of this North/South gap. For example, the average per capita income in the Third World, at approximately the equivalent of 800 US dollars per annum, is only eight per cent of the average in industrialised countries. Similarly, the life expectancy and literacy levels show wide disparities in favour of the Northern countries.¹

In recent years, however, another gulf has been superimposed on that between the North and the South. Significant gaps have appeared even between the conditions of countries *within* the South. These have arisen because, on the one hand, a few countries have arrived at the threshold of industrialisation (Newly Industrialised Countries or NICs)*, whilst, on the other, considerable financial resources have been concentrated in a small

¹See World Bank, *World Development Report*, 1982.

*UNCTAD has identified the following countries in this category: Argentina, Brazil, Hong Kong, South Korea, Singapore, Uruguay and Yugoslavia. It would be proper to include Taiwan and others also in this category.

number of Arab oil-exporting nations. The latter* reveal a somewhat unique pattern of social indicators. They have a per capita income which matches and often surpasses those of industrialised nations, but on almost every other indicator—for example, life expectancy, literacy levels, dependence on raw materials²—they rank well down the list among the LDCs. Perhaps the factor that arouses the greatest disquiet about these nations is their inability, despite adopting strategies like The Green Revolution, to sustain their agricultural production generally and production of foodgrains in particular. Development budgets for agriculture in these oil-rich countries are small compared to other outlays, and together with acute shortages of technicians, skilled administrators, and a skilled agricultural labour force in the midst of traditional land-tenure systems, it is highly unlikely that any significant improvements in their agricultural productivity will take place imminently. In recent decades, their national food consumption has increased rapidly while their capacity to fulfil domestic food requirements through indigenous production, relative to demand, has fallen.³

More optimistically, and more relevant in development terms is the appearance of a small number of successfully industrialising countries in the Third World. There is appearing a significant gap between their performance and prospects and those of the poorest countries in the world, who seem to be stuck in the perpetual hold of poverty and underdevelopment. The NICs are those which appear to be approaching Rostow's stage of 'Take Off'. They already contribute significantly to world production and trade in manufactured goods, and the indications are that several other 'middle income' countries are developing similar capabilities, or are revealing a potential to develop them. The overall picture that emerges is that of an increasing economic gap between the NICs and the poorest nations, and a narrowing⁴ one between the NICs and their industrialised neighbours. These developments must be a significant factor in any general consideration of the most appropriate strategies for international development for the remainder of the twentieth century, and more particularly the 'North-South' relationship.

The Political Factor

Much of the debate about development, during the last two decades or so, has been couched in economic terms yet the political dimension has been, and is, equally as important. Much of what has occurred has been a

*Particularly Libya, Saudi Arabia, Kuwait and the United Arab Emirates.

²World Bank, *op. cit.*

³M.G. Weinbaum, *Food Development and Politics in the Middle East*, London, Croom Helm, 1983.

⁴During 1960-80, the NICs, despite significantly higher rates of population growth, have maintained per capita GNP growth rates equivalent to and often better than those of industrialised countries. See World Bank, *World Development Report*, 1982, *op. cit.*

reflection^{*} of the interplay of economic ideas, forces and interests but it has been facilitated by the obduracy of political actors and interests which have affected the making and executing of decisions. Before proceeding to consider the nature and direction of efforts at development for the future, some of the more important actors on the complex international stage will be identified more clearly.

Reference to the North/South dialogue implies existence of two distinct collectivities of actors, *viz.*, the industrialised nations of the North and the emergent nations of the South, more commonly referred to as the Third World. This latter term emerged in the 1960's and served a variety of purposes: (a) It was a convenient collective term for those newly independent countries emerging from periods of colonial rule. (b) It was a means of indicating that these countries were not firmly within either camp in the East/West ideological confrontation which dominated the international scene at this time. (c) More positively, it facilitated the emergence of the non-aligned movement capable of voicing the South's views and interests.

Perhaps it was inevitable that the North-South debate about development strategy should be dominated by the rich industrialised nations of the Northern hemisphere. They, after all, had achieved the economic and other successes to which, many assumed, the newly emerging countries were aspiring. They held majority of the resources, skills and technology which would be needed to achieve any internationally agreed objectives. Their very success enabled them to speak with authority about development and developmental needs, which only thinly veiled their continuing material and other interest in maintaining the broad outlines of the system of international trade and relations on which much of their success was based. Moreover, the fiercely competitive and potentially destructive relationship between the Soviet block and the West, whilst, on the one hand, providing the developing nations with an opportunity to exploit this ideological rift, on the other, provided the West* with a powerful incentive to cohere and dominate the dialogue in an attempt to gain an advantage in the broader struggle against the Soviets.

In the light of this combination of factors, it is somewhat surprising that the governments of the South have been able to sustain such a highly unified front in their dealings with the North. Their demands are fairly consensual and are based on a common belief in the necessity of introducing a clearer and more evenly-poised sense of equilibrium into world economic structures. What they demand is a New International Economic Order (NIEO) which will be based on a broad agreement between all nations in both North and

*And to the Soviets too, to a lesser extent. However, they have not engaged themselves in the North-South dialogue *per se*—partly because on ideological grounds they wished to be disassociated from the responsibility for the post-colonial predicament of LDCs, partly because they are less dependent on the primary products of these nations, and partly because their military and diplomatic aims could best be served by such disengagement.

South. As has been indicated above, there are significant distinctions within the countries comprising the South in terms of their potential for development, developmental performance to date and their needs from the North in terms of trade and aid. However, the difficulties encountered so far in getting the NIEO onto the North/South agenda arise, not from conflicts of interests within the countries of the South, but from the reluctance, or possibly opposition, of the West to embark on discussions of innovations that may seriously upset the equilibrium from which they have benefited so handsomely. Both sides in the North/South dialogue are subjected to many internal tensions and strains of conflicts of interest. The cohesion of each is maintained, it would appear, through their awareness of the relative advantages and disadvantages of the present unequal economic relationship that persists.

COLLECTIVE IDENTITY

The Third World countries first developed some kind of collective identity in the mid 1950s when, at a meeting in Indonesia, representatives of 29 nations of Africa and Asia demanded that trade and prices of raw materials should be established and maintained through a series of international agreements, that the UN should set up a fund specifically to promote economic development, and that positive steps be taken at the UN to promote cooperation between developing and industrialised nations as well as among Third World states. These general objectives have been consistently pursued, by the now considerably expanded group of Third World countries, at the UN Conference on Trade and Development (UNCTAD) established at Geneva since 1964.

There are clear divergences of interest within the group of Third World countries and there is no formal global organisation to regiment or coordinate their responses in international discussions of North/South relations. Yet they have displayed an united front, and appear to have succeeded in reconciling, or sublimating, their divergences of interest in relation to energy supplies. The OPEC countries and the oil importing countries of the Third World still identify with the 'Group of 77'* and for most of the time vote together on relevant issues. No doubt there are tensions within the group, arising not only from their manifest conflicts of interest, but because of their different attitudes and perceived needs, and also because the advanced industrialised countries have attempted to exploit potential rifts within the group. For example, it would seem that those developing countries which are successfully industrialising or have otherwise raised

*The Group of 77 refers to the Third World countries at the UN. The name derives from the 77 developing nations which were represented at the first UNCTAD meeting in 1964. The name has been retained even though there are now well over 100 members.

significantly their per capita income are far more liberal and accommodating in their relations with the industrialised West, presumably because they see not only considerable advantages accruing to them from increased trade and access as a means of satisfying the inevitably increased popular demand for, in particular, consumer goods and services, but also because they see generalised benefits in a strategy based on free trade and greater accommodation. The attempts to exploit divergences within the group have not been very successful. The oil crisis of 1973-74 saw a half-hearted attempt by the Western powers to isolate the Oil Producing and Exporting Countries (OPEC) from the remainder of the Third World. This initiative failed and was soon abandoned.

Regional Organisations

Whilst Third World countries have no global organisation, there have appeared a number of groups organised regionally for political and/or economic purposes. For example, the African states have formed the Organisation of African Unity (OAU), the Arab states have established the Arab League, whilst on the South American Continent the Caribbean Common Market (Caricom), the Andean Pact, and the Organisation of American States (OAS) have appeared. There is no Asian organisation covering the whole continent, although there is the Association of South East Asian Nations (ASEAN). It is likely that a major difficulty of creating broader-based organisations in Asia arises from the immense size of both India and China. As both are of sub-continental dimensions, claims of either are likely to dominate discussions of any Asian organisation of which they become a member.

Non-Regional Organisations: OPEC

The OPEC is undoubtedly the single most important Third World organisation. The majority of its members come from the Middle East and North Africa, but it also has members from Latin America, West Africa and South East Asia. Founded in 1960 as a cartel of producer countries with the objective of counter balancing the immense power of the multinational petroleum corporations, it has emerged so powerful that OPEC currently dominates the world oil trade, and plays a major part in determining oil prices despite the fact that it now produces less than one third of the world's oil output. Whilst its relative importance has declined somewhat in the last decade or so with the increases in the production of oil from other countries, it is still sufficiently significant that any disruption of supplies from OPEC would have the most drastic consequences for oil consumer countries across the world, including both the industrialised West and the Third World.

Newly Industrialising Countries (NICs)

Unlike OPEC, the NICs are not a group of countries organised for

common and/or coordinated action. They constitute little more than a convenient analytic category for those trying to make sense of the complex international scene. The NICs are a small number of countries whose economies are export oriented and have achieved high rates of growth in recent years. The UNCTAD identifies them as developing countries whose per capita income exceeded \$ 1000 in 1977 and 20 per cent or more of their exports was composed of manufactured goods. Such countries cannot be identified by either size or geographic location, but they are likely to share a common set of attitudes and priorities because their reliance on export industries requires access to world markets as a condition of their continued prosperity. Currently, the NICs account for 75 per cent of all manufactured exports from, and 65 per cent of all manufactured imports to the Third World.

The usual pattern for development of NICs has been an early concentration on labour intensive industries, such as clothing, leather and electronics, and only later attempting to penetrate markets based on capital intensive industries, such as shipbuilding, machine tools and chemicals. This pattern of developmental activities in NICs emulates, in broad outline, the earlier experience of the industrialised nations. The success of the former has in turn alerted the latter to the dangers of their position of continuing to extend open and preferential access to their markets for manufactured goods from NICs. Increasingly, there have been demands for NICs to limit their exports of manufactured goods to the countries of the North, that is as a preferred alternative to the unilateral imposition of import quotas on these goods. More generally, some economists in the western developed nations argue that NICs' progress are a testimony that self-reliance and competition governed by market forces provides the best strategy for development efforts in the Third World generally. As an *ex post facto* judgement on the performance of the particular NICs, it may be tenable to argue that for them, with their resources, in their circumstances at this particular period in time, belief in the philosophy of self-reliance and the economics of market forces has been beneficial. The more general prescription for all Third World countries is far more open to question—not only on the empirical grounds that their particular circumstances and potential for development are less propitious but also on philosophical grounds one can question whether *any* general prescription of a development strategy for over 100 countries as diverse as those of the Third World has any lasting credibility. Perhaps the basis for this view can best be adduced by looking at those countries at the other end of the developmental scale from NICs as given in the following paras.

The Least Developed Countries

These are a group of 31 countries, mostly in Africa, in which there has been a drop of at least 10 per cent in their per capita production of foodgrains

in the last decade, and in which approximately 25 to 30 percent of their population is undernourished for most of the year. There are, of course, other corresponding falls in, for example, real per capita income, and generally what emerges is a picture of a society very poorly endowed to absorb externally imposed disequilibrating pressures on the system and are thus incapable of adjusting their economies to a rapidly changing world environment. Moreover their poverty encompasses not only natural resources but human skills too and this leaves them without any realistic hope or prospect of mounting a development strategy founded on the principles of self-help. Empirically it can be seen that these countries have failed to benefit commensurately in the period of global economic growth and prosperity of the 1960s and early 1970s.⁵ Their position during the recession of the 1980s is even more threatened.

In these circumstances, it is inevitable that these countries should rely heavily upon development aid. The response has been that a number of industrialised countries since 1981 have agreed to earmark 20 per cent of their public development aid to the Third World for these Least Developed Countries. On average, this amounts to a pitifully small 0.15 per cent of the industrialised countries' GDP. However, even this commitment is important, but the 'track record' of developed nations is not such that leads one to be sanguine. Their commitment, some years ago, to contribute overall aid equivalent to one per cent of their GNP has, with minor exceptions, never been fulfilled.

These Least Developed Countries suffer not only from economic deprivations but social indicators also pinpoint their plight. For example, life expectancy is no more than 48 years, adult literacy is as low as 33 per cent on average and below 10 per cent in some. Moreover, limited access to drinking water, and an acute shortage of doctors and health services, together with high rates of population increase are common characteristics. These countries are highly unsuitable for the strategies which have been so successful in the NICs, and since most Third World countries have more in common with this Least Developed group than with the NICs, the idea of a general development strategy for all similar to that of the NICs can be discounted. The problems still remain as to why so little progress has been made in the first two development decades, and what should the priorities for the 1980s and beyond be?

DEVELOPMENT STRATEGY DURING 1960s AND 1970s

As has been shown in the preceding paras, the experience of development efforts during the 1960s and 1970s has not been entirely without its successes.

⁵For details of various economic and social indicators see the annual issues of *World Development Reports* World Bank, Washington.

The NICs and a few other middle-income countries have undoubtedly improved the quality of life for their citizens, and much of their success can be attributed to deliberate attempts to implement development strategies worked out during that period, *viz.*, that Third World countries should endeavour to integrate their economies as quickly as possible into the world market network, and that this would be best achieved through government-led, export-oriented industrialisation in conjunction with commitments from the industrialised countries to develop trade, grant aid, and encourage private investment in the LDCs.

There was no lack of consensus about the legitimacy of seeking economic emancipation in the wake of the political freedom that had been gained in the 1950s/60s. The general assumption was that this would be achieved once the major obstacle, *viz.*, lack of capital, was removed. In consequence, programmes of financial and technical aid, preferential conditions of trade and direct investment were established. The assumption was that these programmes would unleash the latent economic forces in the LDCs and that they would soon achieve their goals of modernity and development—goals which have perhaps best been described as “being Western without the onus of dependence on the West. The model of modernity is a picture of the West detached in some way from its geographical origins and locus”.⁶

In varying degrees, this strategy has been less successful outside the NICs and in a few other countries. The Least Developed Countries are no better off, and some of them may be relatively in a worse economic plight than they were immediately after their independence. The majority of the LDCs have, *vis-a-vis*, the results of this development strategy, more in common with the Least Developed Nations than with the NICs. So disappointing is the experience of the first two ‘Development Decades’ that to refer to a crisis in development strategy and planning is not unjustified.

No doubt the crisis has deepened and brought to the forefront of consciousness by the world economic recession. The reduction in the levels of demand in the West has reduced export markets for the manufactures of the Third World, which in consequence depresses the prices paid for their raw materials. The intensity and duration of the recession has also undermined the capacity and will of the industrialised countries to maintain the flow of official aid. The combination of factors associated with the recession has brought many countries, in the face of increasing loan repayment charges, close to the point of bankruptcy. Even so, it would be a mistake to identify the recession as a major cause of the crisis in development, rather it is the occasion for noticing the crisis. Explanations of the causes of the crisis must be approached at a variety of levels and must encompass the roles of both the North and the South over the two decades in question.

⁶E. Shils, *Political Development in the New States*, Mouton, The Hague, 1962, p. 10.

Roles of North and South

First, there has been a clear divergence between the developed countries and the LDCs concerning the nature of the international system they wish to see developed. The former are committed to maintaining the existing economic system based on freedom of trade and market economics, albeit working more effectively because increased membership gives bigger markets from which all will derive benefit. The LDCs, on the other hand, have sought a dialogue on the possibilities of setting up a New International Economic Order (NIEO) involving broader and more binding agreements involving all nations within the NIEO.

Second, the West has consistently shown an ambivalence to the demands and needs of the developing nations. Though publicly committed to meaningful participation in the development of Third-World countries, yet they find it difficult at times to reconcile this with their more narrowly defined national economic interests. Again, while the West has appeared everready to supply arms 'on demand' to LDCs, they have often showed a distinct lack of discernment in their willingness to supply sophisticated capital equipment which, of course, the recipient LDC has neither the skills nor resources to operate and maintain.

Third, in general, there has been a distinct lack of supervision of aid projects by donor agencies. This may be partly a reflection of a desire of not to appear interfering unduly, and partly a reflection of a commonly held belief that the benefits of aid programmes would inevitably 'trickle down' to the mass of those in the greatest need. This 'trickle down' theory of development aid was a received wisdom for most of the two decades in question, and helped to obviate the need for close supervision of the disbursement of that aid. In recent years, abundant evidence has emerged to show that those assumptions do not, in practice, stand up to close scrutiny.

Fourth, the LDCs themselves must shoulder much of the responsibility for the crisis of development. Frequently, food grain production has been neglected, external aid has been misspent, and the benefits of aid programmes have often not accrued to those sections of the population for whom they were primarily intended, *i.e.*, the weaker sections.

Relatively, few LDCs have concentrated resources on the production of food. Fortunately, those who have done so include the most populous countries in the world—*viz.*, India and China—otherwise the problem of food shortage would have been even more acute than it is. The LDCs are increasingly becoming dependent on food imports. The countries of the South tend to be more susceptible to climatic catastrophes than those of the Northern hemisphere, but these apart, many of the problems of food supply result from deliberate government policies which frequently operate against the farmer and the rural communities. The political instability of LDCs make their governments very sensitive to the demands and pressures from the centres of the greatest political volatility—*viz.*, the

urban areas and the military—each of whom in their different ways constitute potential threats to any regime. There is an understandable tendency, therefore, to keep food prices low, thus discouraging agricultural production at home; whilst maintaining artificially high foreign exchange rates to facilitate import of cheaper capital goods for industrialisation and cheaper imported food, which further discourages domestic agricultural production.

The relatively low priority given to agriculture in these countries has the effect of depressing rural earnings, which in turn produces an exodus of considerable proportions of people from the rural areas to the urban centres. In consequence, rapid, unplanned and uncontrolled urban growth of this nature puts pressure on all the resources and services of the cities, including shelter, food, water, health and sanitation, transport, infrastructure and employment.* Major towns in many LDCs have become agglomerations of 15-20 million inhabitants, with up to 25 per cent of their population living in shanty towns, and the rapid increases in population will exacerbate an already acute problem in the coming decades.

Combination of the factors enumerated above adds up to a problem of gigantic proportions. The neglect of agriculture depresses wages, speeds migration to the towns, further reduces agricultural production which makes it more difficult to overcome malnutrition and poverty.

On the contrary, the gap between rich and poor in LDCs is great. It is increasing and shows no signs of diminishing. Governments, who have the formal power to bring about such a diminution, show an understandable reluctance to act. They are usually composed of members of the rich and powerful sections of society and, like all governments, those of the LDCs are concerned to secure, and continue in, power. Therefore, as a matter of conviction or as a result of political pressure, they reveal a reluctance to use their powers of taxation and/or providing social services to the full to narrow the gap and neutralise the impact of growing inequalities. Clearly, rural depopulation and the consequent urban overcrowding will be a development priority issue between now and the end of the century.

Tension and Conflict Due to Inequalities

The growing inequalities, together with the growth of political consciousness within LDCs, have produced an atmosphere of tension and conflict which accentuates the tenuous hold on power of many of the regimes. To optimise their chances of survival, many political leaders have embarked on considerable programmes of arms purchase—either as a means of satisfying the demands of the armed forces themselves for modern equipment, or, to enable them to combat or suppress attempted coups or other manifestations of civil unrest. The sums involved are a considerable drain

*This is a phenomenon which is not found exclusively in LDCs giving low priority to agriculture. It appears generally throughout the Third World.

on national resources which more than nullify the contributions of aid received by LDCs. In-migration to the towns also depresses wages by swelling the labour force and requires huge investments even to simply maintain the level of infrastructure. Moreover, the high birth-rates and low death-rates in these countries produce a demographic profile in which relatively few workers support relatively many dependents; thus further begetting poverty.

Poverty is widespread throughout the LDCs, and a notable characteristic of development within these countries in the 1960s and 1970s is the appearance of widening disparities of income. Growth and prosperity is often confined to a small modern industrial sector, whilst the remainder of the society maintains its traditional culture and style and is basically unaffected by the efforts of development. The FAO recently identified 12 countries, *excluding* the Least Developed Countries, which between them had a total of 342 million people, who suffer from consistent undernourishment.⁷ Clearly the assumptions upon which development strategies have been based in the past have not produced the desired results. Aid to facilitate economic growth *per se* does not lead to a 'trickling down' of benefits to those who need them most. The associated assumptions that inequalities of income and benefit were an inevitable and temporary precondition to general economic growth for the society as a whole appear to be increasingly questionable in the light of experience. Recent estimates indicate that LDCs spend in aggregate four times as much in military hardware as they receive in development aid.⁸ Equally significant, according to World Bank Reports,⁹ is the fact that some of the Least Developed Countries spend a greater proportion of their GNP on armaments than do the western industrialised nations.

The major suppliers of arms to the Third World are USA and USSR,¹⁰ and their policies are clearly part of the wider strategic struggle between them. However, in terms of their effects within the Third World, their policies are, at best, a factor in preventing or delaying military coups, but, at worst, they must be seen as a means whereby governments of LDCs can cling to power by mollifying the military whilst being unresponsive to the legitimate claims of citizens, and abandoning publicly-proclaimed developmental goals.

Oil Crisis

Another occurrence of the 1970s which has contributed to the difficulties

⁷FAO, *The Dimension of Needs*, Rome, FAO, 1981.

⁸See Stockholm International Peace Research Institute, *World Armaments and Disarmament: Stockholm Annual Yearbooks*. See also World Bank, *World Development Reports*, for aid figures.

⁹*Ibid.*

¹⁰*Ibid.*

of the LDCs' pursuit of their developmental objectives was the significant increases in the world prices of oil in 1973-74 and 1979-80. A combination of the purchase of armaments and oil has resulted in the majority of LDCs being in considerable deficit on their external trade. For some, 50 per cent of their export earnings are used to pay for their oil requirements, and some already have to choose between importing food or oil. For most LDCs, it is unlikely that the proportion of their export earnings used to pay for imported oil will reduce significantly in the near future, even if oil prices are stable. However, an even greater burden for those countries, who have had to borrow to purchase their oil, is that the servicing commitment on their outstanding debt is as great as their current oil bill.

Domestically, the result of the oil crisis has led in LDCs to a greater dependence on wood and animal dung for fuel, both of which are undesirable developments. On the one hand, animal dung is a valuable source of soil fertilisation which is denied to the rural dweller when it is used as fuel; and on the other, wood is getting increasingly in short supply. As distances for its collection increase, so does price, thus placing further strain on the households' disposable income. In national terms, the use of wood for fuel is equally damaging. Deforestation is proceeding at a pace that will result in 40 per cent reduction of forestry resources in the Third World by the year 2000,¹¹ whilst those of the industrialised nations will remain stable on present consumption patterns and afforestation policies. This would seem to be an issue-area in which initiatives could be taken in LDCs to reverse trends through more ambitious afforestation policies, development of more efficient stoves and alternative sources of low-cost energy.

FUTURE GUIDELINES

Any general statement about the most appropriate strategies and priorities for future development at the international level runs the risk of being dismissed as indiscriminating, naive, idealistic or lacking an appropriate sense of *real politique*. It must be recognised that, however much of a consensus exists around the conference table on the need to assist the economic development of the poorest nations and to improve the quality of life of the most backward communities, very few of the principal actors will return to their capitals and act unwaveringly with an ideal rationality and promptitude designed to realise those objectives at the expense of all others. All political leaders are subject to multifarious pressures from groups making diverse demands underscored by different values, priorities and varying degrees of political muscle. Not all of these demands can be satisfied, and sometimes none can be satisfied in its entirety.

¹¹Us Council on Environmental Quality and the Department of state, *the Global 2000 Report to the President*, New York, Penguin Books 1982.

The leaders' task, therefore, is to identify those whose pressure cannot be ignored for one reason or another, and seek a cluster of decisions which may satisfy no one, but which, in H.A. Simon's terms, will 'satisfice' many, and thereby gain or sustain support for the regime. This is as true for the elected regimes of the western industrialised nations, as it is for their counterparts in LDCs. The former with their highly organised, mass participative political cultures are confronted with a greater array of articulated demands, many of which could be significant factors in the regime's chances of success at the next competitive struggle for the people's vote. The latter, even those with electoral systems, do not face such diversity, but the pressure upon them is no less. Their continued existence as the political regime is dependent upon their capacity to meet the demands of narrowly defined elites, such as the military, the large landowners or a few industrialists. Politics is essentially an activity which for the leading actors is about survival; about getting and holding power. It is an activity in which frequently sincerely held views and goals are suppressed or displaced in that search for survival. National interests can never be abandoned by politicians hoping to survive, but frequently this means abandoning honestly entered into international commitments, or diverting resources away from the weaker sections of society even though their needs are fully acknowledged. To expect regimes or particular leaders to behave otherwise is unrealistic. Consideration of strategies for the future must acknowledge that for example, developed nations will continue to supply arms in significant quantities to LDCs who can ill afford them, that the industrialised nations will continue to close their frontiers to the manufactured goods of the Third World when they perceive their industries are threatened, that there will be a huge gap between the precepts and practices of development aid. Similarly, regions in LDCs will continue to invest unwisely in prestige projects, will neglect the poorer, less-demanding sections of society when it suits them, and will endeavour, at high cost, to satisfy the elite organisations especially the military.

In this framework, it is perhaps worth reconsidering the existing strategies and priorities. The greatest priorities, especially in the Least Developed Countries, are for meeting the basic needs of the poor—food, water, sanitation, shelter, hygiene, education, and employment. These are the basic prerequisites for any kind of development to take place. Yet there have been numerous statements, schemes and projects in recent decades based on these perceptions. Similarly, the need to emphasise rural development and domestic food production has been a consistent priority expressed in the literature on development. There is a case to consider that the ideas and preferences expressed during the first two development decades were sound, and that it is the implementation of those ideas that has failed. For the reasons given above, it is futile to incant political leaders to fulfil commitments they have entered as though they are in some way absolute

obligations, or to counsel them to enter and abide by aid policies which are likely to run counter to their national interests. Since politicians react to pressure, the only means of gaining greater commitment from them is to create counter pressures in that direction through publicity and open discussion of the issues in those societies which facilitate that degree of openness. Elsewhere aid donors, especially the international agencies, might well consider the direct supervision of aid schemes to ensure that the main beneficiaries are those whom they were intended to be. □

Restructuring of Rural Development Administration

M.G. Shah

THE PROBLEM of speedy rural development was receiving attention of our national leaders even before Independence: Gandhiji, who toured thousands of villages of the country more than once, exactly understood their problems and also suggested correct remedies. After Independence, considerable efforts have been made towards improving the quality of life of our rural poor.

The thrust for rural development has been two-pronged—one, providing certain social goods and services in terms of social and economic infrastructure, and the other, increasing income of individual rural people.

The minimum needs programme taken up in successive Five Year Plans and the revised minimum needs programme were expected to provide to the villages certain economic and social infrastructure, ensuring facilities like roads, electricity, road transport, drinking water, medical care, primary schools, etc., but the pace of progress has been both inadequate and slow largely because of diverting funds to priority sectors like power, irrigation, agriculture, etc. Hence, failure in providing: (i) drinking water, electricity, rural roads and transport to all villages, and (ii) medical care and primary/secondary education at a reasonable distance to all the villages in the country. With respect to the second part, that is increasing income of the individual rural poor families, though some progress has been made, especially in areas where irrigation facilities have been created and utilised, yet there are vast areas in the country where rural people have not benefited as expected either by the general economic development programmes or by the area development programmes, like Drought Prone Area Programme (DPAP), Tribal Sub-Plan, etc., which were devised to tackle specific problems of such areas having concentration of poverty. Therefore, a new strategy was adopted to identify rural poor family and to help it in taking up selected viable economic activities with credit facility from nationalised and cooperative banks to secure increase in the income of such households. Programmes like MFAL, SFDA and NREP, therefore, came into existence. But as it was found that these programmes individually were not bringing about the change at the desired pace in reducing poverty, these were integrated into what is known as Integrated Rural Development Programme. However, even after the integration, it has been continuously felt by the Government of India to do something more, especially for marginal and small farmers,

and agricultural labourers. Therefore, two new programmes introduced recently are: (i) special scheme for marginal and small farmers, and (ii) rural labour employment guarantee programme (RLEGP).

The late Prime Minister Smt. Gandhi appeared to be extremely anxious to work out a suitable organisational structure for rural development with a view to speeding up the rate of eradication of poverty considerably in the Seventh Plan. With this end in view, the Economic Advisory Council accordingly prepared a note on the subject. The author, therefore, suggests in the following pages, what needs to be done in this regard.

OBJECTIVE OF RURAL DEVELOPMENT

All those engaged in rural development in the country must be clear that the single objective of rural development is to increase the income of every rural family and to see that those who are below the poverty line are enabled to come above that line in the next ten years, *i.e.*, during the period of VII and VIII Plans, and devise appropriate strategies. All organisations dealing with rural development and all employees working at all levels in each one of these organisations have to be told clearly about this objective. They are then to be enthused to achieve this objective by the end of the VIII Plan. For this purpose, appropriate recruitment and training programme need be evolved to infuse the required sense of dedication and commitment to the programme in all of them. If a time-bound programme is adopted with adequate funds, manpower, and organisational structure, it is not difficult to achieve the goal.

ORGANISATIONAL STRUCTURE

Functions of government can be broadly divided into three categories: (a) regulatory, (b) developmental, and (c) commercial. Before independence, the government was pre-occupied with regulatory functions but after independence, the developmental activity has been increasing very rapidly in almost all sectors of the economy—agriculture, industry, power, irrigation, transport and communication, social services, etc., as is evident from allocations in successive Five-Year Plans. Besides, in accordance with the national commitment to evolve a socialistic pattern of society and following one of the Directive Principles of State Policy enshrined in our Constitution, the government has been embarking upon several commercial and industrial activities. As a result, scores of public sector undertakings have since come up at the central as well as the state levels.

Even with respect to regulatory functions, the government has been assuming powers through legislation either to bring about social equality or to prevent exploitation or harassment to certain sections of the community. In fact, keeping these factors in view, clear-cut policy is necessary for structuring

organisations which are necessary for implementation of these three categories of government functions. These organisations need a thorough examination, especially for implementing rural development programmes more effectively in the VII and VIII Plans. Some suggestions in this regard can be that all regulatory functions should be performed only by the central and the state governments and no regulatory function be given to the elected representatives at the village, block and district levels. In Gujarat, where Panchayati Raj is in operation since 1963, regulatory functions—such as recovery of revenue, removal of encroachments, maintenance of revenue records, granting of non-agricultural permission, etc.,—were transferred to the local panchayats at village, taluka or district levels. The experience shows that not only these functions have suffered considerably but the speed of development has also been affected because of combining the two. For example, local leadership is not yet strong enough to remove encroachments or to recover all government dues, and confront the anti-social elements therefor. Performance in these areas go to prove that not only recovery of government dues but repayment of loans to cooperative and commercial banks has also suffered considerably. Encroachments have not been removed and permissions have been granted in several cases setting aside all norms of town planning. Factionalism has inflicted almost each village and has adversely affected discharge of regulatory functions. Gujarat was earlier one of the best states in the country where revenue records were maintained up-to-date but the position has now become far from satisfactory. Probably Gujarat is the only state where regulatory functions have been handed over to the local panchayats on such a scale. Maharashtra gave the function of recovery of land revenue to them, but because of sad experience, they withdrew it. Therefore, elected representatives at the local level should not unnecessarily be burdened with such unpleasant tasks at least for the next ten years. This would improve the performance in this regard. It will again make the government servants accountable and responsible as was hitherto. Psychologically, performance of government servants is better when their accountability and follow-up action to ensure satisfactory performance are clearly linked.

As regards developmental functions, depending upon the circumstances of each state, as many programmes of rural development as could be implemented at the district and levels below should be handed over for implementation either through the district panchayat/zilla parishad, wherever existing, or through district development board headed by the collector in association with the leaders of the people at the district and block levels. One could also examine the possibility of preparing a district list of functions on the lines of the Union, State and Concurrent lists given in the Seventh Schedule of our Constitution and see that such functions of the district list are transferred to elected bodies wherever they have been formed along with funds in bulk and personnel. A state finance commission could be set up which

should suggest periodical allocation of resources between the state and the districts. Block transfer of funds on the lines of allocation between the centre and the states could also be thought of so that adequate flexibility is available in planning and execution of the district plans. In other words, whatever development programmes could be implemented at the district level and below should be done through the district development boards or district panchayats or zilla parishad and similar organisations at the block level.

Most of the commercial and industrial functions are being performed today by statutory boards/corporations or companies under the Companies Act. How to make these bodies function more efficiently is a separate issue which has been engaging the attention of the Government of India and the state governments and therefore not covered here for discussion. What is being emphasised here is that there may yet be commercial functions which are still being discharged by government departments for which proforma accounts are prepared by the Accountant General. They should be identified (like Printing and Stationery in Gujarat) and handed over to a separate independent commercial body. Their performance should certainly be watched by the owners. If distinction between the three categories of government functions is clearly understood and implemented, the pace of rural development would increase.

INTEGRATION AND COORDINATION

As discussed earlier, rural development programme broadly consists of two categories. One relating to provision of social and economic infrastructure, and the other relating to raising income of those individual families which are below the poverty line. Both these programmes are not mutually exclusive. In fact, economic infrastructure would help increasing the effectiveness of the family oriented programmes. For example, income of rural poor households will not increase merely by distribution of milch cattle. For this purpose, facilities for marketing of milk from the village to the consumer centre will have to be simultaneously arranged which, in turn will depend upon infrastructure facilities like marketing cooperatives, roads, electricity for chilling centres, etc. Thus, as both programmes are mutually dependent, we will have to take an integrated view. Under IRDP, while only a few programmes have been integrated, but rural development as such has not been integrated. There are in fact, a dozen very important facets of rural development, all of which require to be either integrated or coordinated effectively. Let us discuss these here in their order of importance :

1. Provision of credit from banking institutions: (a) for giving assets to individual rural poor, and (b) credit for supply of inputs/raw materials marketing and for providing economic infrastructure

- facilities especially road transport and electricity.
2. Provision of subsidy for acquiring new assets or for improving their existing assets, to make the project bankable.
 3. Ensuring supply of raw materials or inputs at the door-step of the rural poor or at least at carting distance from the village.
 4. Making arrangements for marketing of their products ensuring a fair price so that they may be able to repay loans and also get some money for consumption to improve their quality of life.
 5. Arrangements for improving and updating of their existing skills.
 6. Undertaking research and development on a continuous basis so that rural productivity increases in agriculture, animal husbandry and allied activities, and rural industries by updating technology.
 7. Provision of social infrastructure, especially: (a) drinking water, (b) educational facilities especially to inform artisans and vocational trades about local needs, and (c) adequate health cover.
 8. Provision of economic infrastructure in terms of: (a) roads which are at least cartable throughout the year connecting every village to the nearby market, (b) electricity, and (c) bus transport.
 9. Organically linking voluntary agencies with the new rural development administrative structure. For example in Gujarat, several voluntary agencies which are dedicated to do rural development work, not only provide managerial and financial inputs but also act as a link between an individual rural poor and the various organisations providing assistance.
 10. Supplementing economic activities of the rural poor for several years to help raise his net income through providing employment in public works to those who are under-employed. It will have to be done by identifying: (i) periods of unemployment or under-employment in a year, (ii) areas or pockets in the district suitable for this purpose, and (iii) concrete public works projects for creating durable assets in such villages. In other words, NREP and RLEGP will have to be integrated or coordinated.
 11. The designing recruitment and training of functionaries at different levels in such a way as to inculcate spirit of dedication to rural development among them and motivating them to implement the programmes efficiently, honestly and economically. Good quality personnel should be recruited and helped to stay on to man rural development administration.
 12. Continuous planning, monitoring, and evaluation of rural development programmes to ensure that all the above mentioned facets are properly integrated or coordinated. The effectiveness of achieving the objective depends upon the extent and efficiency of such integration/coordination.

PROBLEMS OF RURAL INDUSTRY

Gandhiji had very correctly realised that worst sufferers of industrialisation in post-Independence India would be the rural artisans. Therefore, he advocated, even before Independence, a rural reconstruction programme based on development of khadi and village industries. It is these rural industries which, instead of benefiting from the post-Independence development programmes, have suffered considerably. When leather is cured and tanned in a factory, when shoes are manufactured in big factories, when garments are stitched in large scale urban units, how can we think that a village chamar or a shoe-maker or a tailor would benefit? Many of them have been rendered landless labourers as their skills also become outdated. Several schemes of improving their skills, giving them better implements for production, etc., have not made any appreciable headway because of uneven and one-sided competition with large-scale factories in marketing the product. It has been emphasised in our scriptures and books of knowledge that a man derives real satisfaction out of his own creativeness. Quality of life is better for a self-employed person as compared to a worker in a factory. Unfortunately, we have not done anything appreciable in the direction of improving the incomes and consequently quality of life of hundreds of our rural artisans and craftsmen. Sporadic efforts have been made by the Central Khadi Commission and State Khadi Village Industries Boards but unless the policies of the Government of India especially, those with respect to marketing are radically changed, nothing would help these sections of the rural poor.

Secondly, rural industries have been clubbed by several state governments with the industries department. At the state and central levels developing more and more industries involving investments of lakhs and crores of rupees is a more glamorous job. As a result, rural industrialisation suffers considerable neglect. The industrialists, their association and federations are far more vocal and wield tremendous influence with the decision-making authorities at the state and central levels. Rural artisans and craftsmen on the other hand are disorganised and poor and do not have any strength to influence decision-makers. Therefore, structural integration of rural industries with the rural development administration, separating it from the large and medium industries department, merits serious consideration.

EXISTING STATE OF EXECUTION AND SUPERVISION

Before we examine the question of structural changes in the rural development administration in this regard, it would be desirable to examine the existing position. At the Government of India level, there is one department namely, Department of Rural Development, dealing mainly with IRDP, NREP and RLEGP, but there does not appear to be any institutional arrange-

ment for integrating or coordinating all the 12 facets of rural development mentioned earlier. No such organisation exists at any other level—including the state, district or a block. Another Department for Rural Development at the State level similarly looks after these three or four programmes. At the district level, District Rural Development Agency, a society registered under the Societies Act, has been created which works as a statutory body independent of the district panchayat or zilla parishad. There is no separate machinery at the block except certain gramsevak and a couple of extension officers. The Block Development Officer, who is the Secretary of the Taluka Panchayat in Gujarat and saddled with considerable responsibilities, is asked to look after rural development in addition to his duties with very very inadequate supporting staff. There is no coordination between: (a) the Village Panchayat, (b) Talati, (c) Benor gramsevak, (d) rural development gramsevak, (e) with a village cooperative, or (f) with a primary school teacher. There are three categories of rural poor, namely: (1) small and marginal farmers including harijans and tribals, (2) artisans who are becoming poor and poor or who have been rendered as agricultural labourers, and (3) agricultural labourers. It is not at all difficult to identify these poor families. It is also less difficult to identify one or two economic activities in consultation with the concerned poor family which would increase his income, but what is almost impossible today is to ensure that the identified economic activity would certainly increase the income of the rural poor. By giving a buffalo to a rural poor or giving certain subsidies in terms of mini-kits to marginal/small/harijans/tribal farmers, one would not be assured that their income would definitely increase. Unless all the 12 facets of rural development discussed earlier are integrated or coordinated at different levels, the pace of rural development cannot be speeded up. It may not be possible to integrate all the twelve facets into one single organisational structure at different levels, but it is definitely possible to organically link all of them at different levels.

In pre-Independence days, the government administration was structured on one principle which was responsible considerably for its effectiveness. This principle was briefly as follows. Executing levels were identified as village, taluka, district and it was appreciated at that time that there should be separate levels of supervision, guidance and control between the village and the taluka (circle), between taluka and the district (sub-division), and between the district and the province (division). Institutions of circle inspectors/circle officers, sub-divisional officers deputy collectors/sub-divisional magistrates and divisional commissioners were set up with complete responsibilities of supervision, inspection and guidance. Thus by creating one level above the level of execution, concurrent monitoring and evaluation was ensured. Problems of coordination were also sorted out at both the executing and supervising levels. The general administration of the province thus ensured not only a single line of command of execution but also a simultaneous single

line of command of monitoring evaluation. This principle is not followed now in structuring rural development administration. There is no supervisory authority at any level between these three levels of execution. Community Development Programme was started in 1952 which was subsequently extended to whole of the country, sub-divisional officers were brought into the picture by appointing them as chairmen of the block advisory committees, and divisional commissioners were brought into the picture in several states by making them chairmen of divisional development councils. But because of introduction of panchayati raj; the supervisory tiers have been totally neglected in several states. The principle of separate levels of execution and separate higher levels of monitoring and evaluation, which has proved its efficiency for several decades, should be incorporated in a remodelled structure of rural development administration.

However, India being a vast country full of diversities, each state will have to examine its local circumstances and other factors—political, social and economic—before evolving a suitable organisational structure on the principles discussed above.

There are number of organisations in Gujarat that are responsible for implementing the 12 facets of rural development. Further discussion will give us an idea of the size of the problem of integration and coordination that exists in the rural development administration.

Credit

Credit requirements of rural poor are looked after by: (i) branches of various nationalised and non-nationalised banks, (ii) branches of various cooperative land development banks and district cooperative banks, (iii) branches of regional rural banks, (iv) organisations like Schedule Castes Corporation, Tribal Development Corporation, etc., and (v) several departments which give direct loans. Besides, money-lenders continue to exist to provide credit to the rural poor who have mortgageable assets like land, house, utensils, ornaments, etc. As the risks in lending to the rural poor are many, the problem of recovery has become important. A rural bank branch does not have adequate means to appraise the viability of a scheme nor it has arrangement for supervising the use of credit. The policies of the Reserve Bank and NABARD in providing inventory procession and marketing credit to several input and marketing organisations in the rural industries/agricultural/animal husbandry sectors have not been helpful. It would suffice to say here that apart from coordinating credit with other facets of rural development, there is considerable lack of coordination not only amongst the various credit organisations at the block/district levels but also even with the branches of the same nationalised bank in the district. Rural credit cannot, therefore, become an engine for rural growth : It hardly serves as a camel cart or a bullock cart in some villages.

The problem of rural credit has been examined in considerable depth by

the Narasimhan Committee but unfortunately the remedies suggested by it have been half-hearted. The entire rural credit needs to be integrated by combining all branches of all banks (commercial, cooperative and regional) into one single District Rural Bank at the district level to serve as an engine for rural growth. Similarly, we should have one single apex rural development bank at the state level to be refinanced by the recently created NABARD. Till this is done, coordination with several credit organisations with the rural development administration will have to be ensured by making the representative of the Lead Bank as one of the members of the rural developmental administration at the block, district and state levels.

Subsidies

Subsidies are given by a number of organisations in Gujarat. Besides Rural Developmental Department, Social Welfare Department, and Tribal Development, other departments dealing with rural development are agriculture, animal husbandry, rural industries, etc. There are, also Harijan Development Corporation, Tribal Development Corporation, etc. There is considerable disparity in the pattern of subsidy. There is considerable overlapping and there is no machinery which can ensure that the same beneficiary does not get a subsidy from more than one agency. Sivraj Committee, which was set up to study this problem in the state, has suggested a uniform pattern and a single agency of DRDA for the purpose. Voluntary agencies, which have been set up under Section 35 CCA of the Income Tax Act are able to provide financial inputs in the shape of additional subsidy to rural poor, besides giving managerial inputs. Coordination between them also will have to be achieved by giving due representation to voluntary agencies in rural development administration.

Inputs and Marketing

Several organisations have been set up by the agriculture, animal husbandry, rural industries departments and similar other rural development agencies for supply of seeds, pesticides, fertilisers and water to farmers, such as Gujarat Seeds Corporation, Gujarat Cooperative Marketing Federation, Gujarat Agro-Industries Corporation, Gujarat Insecticides Ltd., Command Area Authorities, Gujarat Electricity Board, Civil Supplies Department, private dealers, etc. For land development, we have Gujarat Land Development Corporation, Khar Land Development Board and Irrigation Department. For marketing, we have branches of the Cotton Corporation of India, Gujarat Oilseeds Growers Federation, Gujarat State Cooperative Cotton Marketing Federation, All India Tobacco Growers Federation, Gujarat Cooperative Sugar Factories Federation, Gujarat State Warehousing Corporation, etc. In the animal husbandry sector, we have separate organisations for dairy, cattle, sheep as well as poultry. There are cooperative dairies in several districts as well as Gujarat Dairy Development

Corporation. We have Gujarat Sheep and Wool Development Corporation and Poultry Marketing Federation and private agencies. With respect to khadi and village industries, there is State Khadi and Village Industries Board, Gujarat Rural Industries Marketing Corporation, Gujarat Leather Industries Corporation. We have several private agencies supplying inputs and marketing the produce of rural producers. How to coordinate with all these organisations? How to coordinate even the supply of credit with physical supply of inputs and of recovery of credit with marketing? There are Talukas and District Sale and Purchase Unions who mostly deal with agricultural inputs and marketing at taluka and district levels. These need be made members of BRDA (Block Rural Development Agency), DRDA and *vice versa*. Similarly, representatives of all other input and marketing organisations should be mutually associated at these two levels. There should be a similar structure at the state level also.

Skills Formation and Improvement

It is true that application of appropriate technology in the rural development sector is a must for improving productivity of land, other assets and of artisans and craftsmen. A number of institutions have been set up for this purpose, *e.g.*, Gujarat Agricultural University, Polytechnics, IITs and mini-IITs. The TRYSEM programme has been introduced and a training in vocational trades is being emphasised. Farmers' training centres have also come up. Unfortunately, there is no proper planning for estimating the needs of a block, district or the state over a period for utilising these institutions in a coordinated manner. All these skill-improvement programmes are working independently from each other and also have not much relevance to actual needs. All skills giving institutions should be integrated into one and it should be organically linked with BRDA and DRDA.

Research and Development

In research and development, considerable work is being done in the sphere of agriculture. Benor System has also helped in extension of this research on the farms of farmers. There are several handicaps and pitfalls in agricultural research and extension but they are being identified and sorted out by the Ministry of Agriculture in consultation with the World Bank. What needs to be emphasised is the availability of flexibility at the state level so as to see that local problems and requirements of research and extension are attended to. There is a tendency to uniformise the pattern and also to take over the responsibility of detailed monitoring evaluation at the Government of India level with the result that rigidity comes into play and benefits of one kharif season of a district or a state cannot be implemented in the next kharif season. There is very little research and development in the sphere of animal husbandry and allied activities. To cite an example of Gujarat, milk yield per cow or buffalo has not satisfactorily increased in

the last 37 years after Independence. Research and development is better in dairy cattle in Gujarat but probably very much less has been done in other states but even in Gujarat, the number of dairy cattle giving a very good average milk yield per animal is extremely low and therefore the average for the state has remained between 2 and 3 litres per cow and between 3 to 4 litres per buffalo in the last 37 years. There is no research and development in the sphere of rural industries. Though in Gujarat, a beginning has been made in establishing a Rural Technology Institute with the help of British Council so that problems in improving the productivity of rural industries could be identified and solutions suggested but unfortunately it has not made any appreciable headway in this regard. It will thus be seen that R & D work requires to be considerably strengthened at the state and at the district levels with the objective of increasing yields of agriculture, animal husbandry, other allied activities, and of rural industries. Considerable support is necessary from the Central Government in this regard. These district and state level R & D organisations should be linked by making them as members in the respective organisations.

Social Infrastructure

In terms of social infrastructure, as far as education is concerned, we have primary schools with the district panchayats with a few schools run by the trusts and private agencies. We have similarly few vocational schools. We have primary health centres, sub-centres under the district panchayats supported by such institutions run by trusts. Drinking water also is being supplied by the State Health Department through the district panchayats as well as by the State Water and Sewage Board. District Planning Board also helps in this regard through the discretionary grants given to them by the state government. As District Development Officer of the district panchayat is the Chairman of DRDA, the required coordination between the DP and DRDA is ensured at the district level.

Economic Infrastructure

With respect to economic infrastructure, the needs of energy for the rural areas are supplied by the Gujarat Electricity Board from the grid as well as to a very very small extent by bio-gas plants. Rural roads are being constructed mainly by the district panchayats with grants from the Department of Roads and Buildings. Road transport is provided generally by the nationalised Gujarat State Road Transport Corporation. Coordination between rural development administration and GEB/GSRTC at different levels requires to be ensured by providing representation to them in the respective organisations.

Voluntary Agencies

Voluntary agencies exist in a number of areas. There is no coordination

amongst them *inter se* on the one nor any adequate coordination between them and the rural development administration. They are trying their best to supplement the government subsidies and by helping the rural poor in getting quickly loans from the branches of the nationalised banks. Their dedication and managerial skills require to be fully utilised.

Rural Employment

With respect to providing employment to those who do not have adequate assets or skills to get employed throughout the year is a problem. The employment programmes are being implemented not only by the Rural Development Department through NREP and RLEGP but also by other departments of the government like public works, irrigation, afforestation, etc. Periods of under employment, their pockets or areas and identification of appropriate public works programmes have not been properly coordinated. There is no integrated rural employment programme at any level. This should be first done and then mutual representations should be provided for the rural development administration and the employment agency at different levels.

Proper Recruitment and Training

There is no institution in Gujarat yet developed to train new rural development functionaries like gramsevak, extension officers, etc., nor are there refresher courses for them and higher categories of officers. Impartial recruitment and promotion policy should be quickly devised alongwith appropriate training programmes. This work should be done by the State level Department of Rural Development and DRDAs.

Planning and Coordination

With respect to integrating all the facets of rural development, there is no agency. District Planning Boards have been created at the district level which largely deal with disbursing grants for certain local development programmes.

Similarly, there are no organisations for supervision, inspection and guidance for rural development programmes between village and the block, between block and the district and between the district and the state. Divisional commissioners have been abolished since 1965. Attempts to revive them have not been successful. Sub-Divisional officers have been deprived of duties of coordination after the formation of Panchayati Raj in 1962. Activities of circle officers are restricted only to certain non-panchayat revenue functions.

PROPOSED ORGANISATION SET-UP

It will thus be seen that what is needed is a regular coordinated rural

development structure at village, block, district, state and central levels and a supervising, and guiding structure at the circle, sub-divisional and the divisional levels and probably also at the zonal council level between the state and the centre. We must create these structures with adequate powers to coordinate, with adequate funds to deal with and with concurrent monitoring and evaluation. It must have the required flexibility to take care of the local circumstances and variations. It is possible to work out an organisational structure at different levels in Gujarat keeping these objectives in mind.

There should be a separate organisation for the purpose of looking after regulatory administration as well as a separate structure for undertaking different industrial and commercial functions. There should be separate structure also for panchayat and local development functions, but those who deal with rural development in these three spheres will also have to be co-ordinated at different levels. At the village level, there should be coordination amongst the Benor Gramsevak, rural development gramsevak, village cooperative secretary, school teacher, panchayat secretary and talati. These six functionaries should be organically linked together to form a village development committee with sarpanch as chairman.

At the block level, there should be a separate Block Rural Development Agency to execute and coordinate both with respect to the dozen facets of development referred to above and with regulatory and commercial functions of organisations. This authority should be clothed with adequate staff, funds and powers and responsibilities for achieving the coordination. The Block Rural Development Agency should consist of: (i) Sub Divisional Officer; (ii) Taluka Panchayat President; (iii) Representatives of institutions dealing with credit, inputs, marketing and skills; (iv) Taluka Panchayat Officers dealing with social infrastructure and rural roads; (v) Representatives of Gujarat State Road Transport Corporation, and Gujarat Electricity Board; (vi) Representatives of Voluntary Agencies; (vii) Representative of the Employment Agency; (viii) MLA; (ix) Mamlatdar; and (x) Block Development Officer.

The District Rural Development Agency should be adequately strengthened and their functions should be expanded so as to take care of execution of all rural development programmes in a coordinated and integrated manner with collector as chairman. In addition to representatives mentioned for Block Rural Development Agency we may add the officers dealing with agriculture, animal husbandry and rural industries.

At the state level, the State Rural Development Council should be headed by the chief secretary along with state functionaries dealing with different facets of development as members. There should be a cabinet sub-committee consisting of chief minister as chairman to periodically review the progress. Similar arrangements should be made at the zonal and the central levels.

Similarly, there should be a supervising organisation at circle,

sub-divisional and divisional levels in the state and also at the zonal level between state and the centre.

Whatever changes are required in implementing these recommendations by way of amendments to rules and regulations with respect to panchayat bodies, cooperative bodies, public sector enterprises, regulatory functionaries, etc., should be identified and then their function should be either integrated or coordinated with the rural development structures advocated as above.

MONITORING AND EVALUATION

There is need for simultaneous monitoring and evaluation of rural development programmes. This is a programme which is extremely difficult. Rural incomes cannot increase speedily and rural poverty cannot be eradicated from each family of the rural poor unless and until there is planning execution on the one hand and monitoring the evaluation on the other and efforts are on to continuously modify, upgrade, etc., various programmes at different levels depending upon the local experiences. Therefore, the concurrent monitoring evaluation machinery should evaluate the impact of different programmes of rural development and suggest suitable changes from time to time so as to achieve our objective of increasing the rural income and eradicating the rural poverty. The place of monitoring and evaluation, therefore, should obviously be at the supervising levels suggested above. These supervising agencies at the circle, sub-divisions and zonal levels must be armed to monitor and evaluate the effects of various projects and programmes in these fields. The executing agencies should be associated at different levels to examine the recommendations of the monitoring and evaluation machinery so that they are taken into confidence while suggesting and implementing modifications.

REVISION OF POLICIES

It has been the experience of the developed countries as well as developing countries that the speed of economic development depends on three factors: (a) rate of savings of a nation, (b) capital output ratio with respect to investments of this savings, and (c) the rate of increase in population. The per capita income of any nation depends only on these three factors. In a developing country like India, where millions and millions of people live in rural areas and are engaged in rural economic activities, the savings of a nation cannot increase appreciably unless the incomes of millions of people of these rural producers are increased. This was the truth which compelled Gandhiji to appreciate the need of development of khadi and cottage industries which were neglected considerably during the British regime. Unfortunately, the marketing policy of the Government of India including those of

the Reserve Bank and NABARD are not conducive to this fundamental need. Almost all rural producers and especially those who are poor are not getting the remunerative prices of their products. Very big farmers or traders/money lenders take away produce of small/marginal farmers at meagre prices and exploit them fully. With respect to remunerative price for rural industries, there is no mechanism at all. Does a chamar get better wages? Does a shoe-maker get a better price? Does a tailor get a higher income? All are dying because of competitiveness either from the public or from the private sectors. The Government of India has reserved certain articles to be produced in the small scale sector. Unfortunately, there is no such list, to be exclusively reserved in the rural industries sector. How can we help the local shoe-maker permitting simultaneously production in big factories or permitting substitutes in the organised sector like plastic chapals? How can we permit large scale manufacturing of ready-made clothes at the cost of a village tailor? Why do we encourage leather industries at the cost of chamars? Do we not encourage large toilet and shop industries at the cost of local soap maker who generally does it out of inedible oils.

Similarly, tragedy prevails with respect to credit. No credit is available at concessional rates for supplying inputs or marketing the produce of these organisations. Reserve Bank of India continues to treat organisations of farmers formed on cooperative lines or public sector corporations which are engaged to help in marketing of the rural products on par with traders with regard to the rate of interest, margins required and several other restrictions. Unless the policy of the Government of India in terms of marketing of the products of the rural producers both in regulatory and credit fields is completely re-examined and reframed, even the coordinating and integrating of the rural development administration as suggested above would not become very effective. National Cooperative Development Corporation is trying its level best to persuade RBI and NABARD to make a distinction between a trader and an organisation created or sponsored by the government to help marketing the products of the rural producers but without any success up till now. Khadi and Village Industries Commission and State Khadi Boards are making efforts to get input and marketing finance on reasonable terms but without any appreciable results. We are giving subsidies to the rural artisans and craftsmen. These subsidies cannot help unless their goods are marketed at a price which helps them not only to repay the loan but also to enjoy a better quality of life. There are no arrangements to upgrade through research and development the productivity especially in the animal husbandry and allied services and rural industries sectors. There must be continuous upgrading skills of the rural producers so that their productivity increases and it helps them to get better prices. If these policies are changed with a view to helping the rural producers to get a good income, not only rural development will be speeded up but also it will move the country faster.

It is the argument of the RBI that by giving reasonable price to the rural

producers, it will increase inflationary tendencies. This is misconceived. If one can examine what a producer gets out of what a consumer pays, it will be clear that in addition to the inventory and/or processing cost that a trader incurs, he gets sizeable profit from the consumer. This is because of exploitation by the traders of the rural producers. Without increasing the price of what a consumer pays, it is hundred per cent possible to increase the share of the rural producer in that price by appropriate institutional arrangements, appropriate marketing strategies and appropriately making available the required finance at reasonable terms and conditions.

Similarly, another argument of the RBI is that they cannot give marketing credit to the state sponsored apex marketing organisation at reasonable rates simply because these marketing organisations are not buying the produce of the farmers at the support price fixed by the Government of India. Maybe the farmers have been helped a little through announcement of the support prices of certain rural commodities by the Government of India but even here there are no arrangements to buy at the appropriate time at the village level their produce at the support price from farmers. They come into play largely when small producers have sold away their produce at throw away prices. Besides many times, the support prices are fixed at minimum levels with the result that market prices are higher than the support prices. In this regard, the poor rural producers get much more exploited by the trader. Nobody comes forward to buy from them at a reasonable price which can be fixed considering the cost of inventory and processing as well as normal profits. The farmer gets a price which is far more lower than the difference between the off season price and the cost or inventory/processing and normal profits. Marketing organisations are able to determine these reasonable prices and to see that in the year they do not generally make any loss. There should be adequate credit both for inventory as well as processing at a concessional rate of interest to such state sponsored rural marketing organisations. When such credit is given by NDDB to a state level marketing organisation for oilseeds, it has immediate results. Without increase in the price of groundnut oil, the Gujarat Cooperative Oilseeds Growers Federation has been able to give a good reasonable price (higher than the support price and higher than the normal trader's price) for the last three years to the groundnut growers in Gujarat. This organisation has also made profits which are again passed on to the farmer members. If these Cooperative Marketing Federations are enabled to function efficiently, honestly and economically and if they are given required financial support (details of which for Gujarat I have given in a separate paper), and if they are unable to reach the level of marketing 40 per cent of the total produce at the end of the VII Plan and about 60 per cent at the end of the VIII Plan, it will bring about the expected rural transformation and considerable improvement in the quality of rural life.

Another argument of RBI requires to be mentioned here. RBI insists

that these farmers cooperative marketing organisations should make efforts to recover the credit given by the credit cooperatives. Timely repayment of all credit is most essential. Maintenance of a healthy credit cycle is in the larger interests of the rural producers themselves. Unfortunately because of natural calamities as well as lack of political wisdom, the health of the credit cycle has suffered considerably. If, however, a condition is placed at this point of time of giving credit to the marketing organisations that they must recover all credit it will help only the traders and not the marketing organisations of rural producers nor even in recovery of credit. Let us build up these organisations and then link recovery of credit with them.

Urban Development and Re-vitalisation of Local Self-Government Institutions: A Conceptual Analysis in the Context of Some Lessons from Anti-Poverty Rural Development Programmes and Policies in India

Iqbal Narain and P.C. Mathur

DURING ITS political and material ascendancy of over 15 to 20 decades, the West replicated several of its home-grown administrative and/or representative institutions in the Third World countries. Many of these institutional structures have continued to function even after the dramatic collapse of European overseas empires in the middle of the twentieth century, but the political elite, policy-making administrators and development-oriented academics are gradually beginning to realise that many of these structures are no longer capable of meeting the new inter related challenges of urbanisation, industrialisation and modernisation. True, of late, there has been some rethinking about the specific goals of Western style development itself, but there is little doubt in the minds of the Third World power-elite that in objective conditions of illiteracy, inequality and poverty prevalent in these countries, some degree of Western-style modernisation is essential. In fact, the emerging consciousness to mould development processes to make them more human-intensive and ecology-responsive itself places an additional functional burden on the existing institutional structures in regard to purposive management of development.

Amongst several institutional structures implanted in the earlier phase of Western domination in the Third World, the statutory institutions of urban local self-government are the most prominent. India has already celebrated the hundredth anniversary of Lord Ripon's resolution which in 1882 sought to place urban local self-government on a sound organisational footing. Many municipal corporations and other institutions of urban local government, set up since then, possess an enviable record of several decades of public service. However, the functional efficacy and efficiency of these decades old institutional structures are being increasingly undermined owing to a series of changes which are proposed to be analysed in this 'concept paper' : It is intended to indicate (rather than analyse in depth) the key functional areas which these institutions must be able to handle if they are to survive into, say, the twentyfirst century.

Parenthetically, we would like to note that the structural deficiencies

of the decades-old institutions of urban local self-government (ULSGIs) stand in sharp contrast to their rural equivalents which have the advantage of being associated with the 'late-comers' on the development scene so much so that, at least in the case of India, the day does not seem to be far off when re-modelling the ULSGIs would become a process of importing mechanisms, procedures and orientations derived from India's vast and diversified experience of management of rural development, especially its rich repository of success stories with regard to democratic control over development administration under the auspices of country-wide network of Panchayati Raj Institutions (PRIs).

Paradoxical as it may sound, the view that many of the most urgent issues of urban planning in the Indian context are *rural* (in origins as well as nature) should not be difficult to grasp. Many solutions for reform of urban local self-government which are now being canvassed have already been in operation in the rural context; many more lessons can yet be learnt for better management of urban development, particularly as it is being re-oriented towards the *urban poor*, most of whom are deeply entrenched in the traditional values, customs and life-styles characteristic of rural India.

The point that we are seeking to make as a prefatory statement of our position is not just rhetorical. Several examples can be cited to show that the Union and state governments in India are fully conscious of the viability of transfer of development management technology from the rural sector to the portfolio of policies, programmes and projects targeted towards an urban clientele, especially the weaker sectors of the urban community like the poor, Harijans, women, children, squatters and slum dwellers and *senior citizens*. Lest there may crop up some misunderstanding about our conceptual thrust, we would like to make it clear that we are talking about management of *urban* development but what we are advocating amounts not so much reforms in the conventional structures of ULSGIs but their 'retro-fitting' with strategies and operating systems borrowed from the rich experience of rural development in general and rural local self-government in India in particular.

PATTERN OF URBAN DEVELOPMENT IN INDIA

The Census of India, 1981 has revealed that India's urban population has grown from 25.6 million in 1901 to 156.1 million in 1981, a cumulative growth of about five times. Detailed data further indicate that the urban population grew rather slowly from 1901 to 1921 (increasing only to 27.6 million in 1921 from 25.6 million in 1901) and even up to 1941 the growth (from 25.6 million in 1901 to 43.5 million in 1941) was rather modest, but thereafter the growth-rate gained a greater momentum with India adding a total urban population of 49.2 million during the last decade, 1971-81. The addition in the last single decade of 49.2 million is more than the *total*

urban population of India in 1941 (43.5 million). Further, till 1961, India's total urban population was only 77.5 million and the most dramatic increase in this regard has taken place only during 1961-81 when it got doubled, experiencing a decadal percentage increase of 37.91 and 46.02 during 1961-71 and 1971-81, respectively.

Thus, without laying claim to demographic expertise, we can certainly argue that rapid urbanisation is a new phenomenon in the Indian context as, despite all the massive increase in India's urban population after 1961, only 23.73 per cent of India's total population could be classified as urban. India is, obviously, still overwhelmingly rural and the socio-cultural implications of the massive size of its non-urban population cannot be ignored in any analysis of the needs and wants of the urban people who are always in close contact with the rural socio-cultural value systems. In fact, as L.N.P. Mohanty would put it:

The staggering growth of urban population in India is due to steady increase in the rural population, the absence of proper development of rural areas and the persistence of rural-urban disparity. Generally, the trend has been that the location of industries, the employment potential, the provision of services, etc., are concentrated in the larger cities which continue to draw migrants from the neighbouring rural areas. The process is further accelerated by the mechanisation of agriculture which has replaced labour by power driven equipment. The village is too small an entity to permit multi-functional economic activity and, therefore, the surplus population is forced to migrate to urban centres. The faster means of communication, though a sign of development, have aggravated the problem of urban areas by increasing the floating population. The burden on urban land is increasing and the municipal authorities find it almost impossible to accommodate the immigrants within the strictly urban limits. Consequently the pressure on the hinterland is increasing and peri-urban areas, specially the rural hinterlands which are well-connected with communication lines, are growing rapidly. As a result of the exodus, the migrants lose the emotional support which they need to get from their communities.¹

Another significant trait of India's urbanisation is the predominance of the large cities with a million-plus population which are categorised as 'Class I' cities in the censuses. As per the 1981 census, out of India's total urban population of 156.1 million, as many as 94.2 million (*i.e.*, 60.37 per cent) were concentrated in 216 'Class I' cities out of which 12 urban agglomera-

¹L.N.P. Mohanty, "Urbanisation in Orissa", *Urban India*, Vol. 3, No. 3, September, 1983, p. 24.

tions/cities accounted for a population of 42.02 million which came to 26.91 per cent of India's total urban population. Further, these million-plus cities have recorded, especially after 1931 and more particularly after 1951, decadal growth-rates which are much higher than those for the urban population *per se* and even for class I cities as a whole (Table 1) :

TABLE 1 URBAN DECADEAL PER CENT GROWTH-RATES IN INDIA

<i>Year</i>	<i>Million-plus cities</i>	<i>Class I cities</i>	<i>Total urban population</i>
1901	—	—	—
1901	+83.89	+5.61	-0.14
1921	+13.11	+17.06	+8.25
1931	+8.99	+23.93	+19.08
1941	+56.01	+63.72	+32.09
1951	+121.56	+65.31	+41.49
1961	+53.03	+44.21	+25.85
1971	+53.64	+52.67	+37.91
1981	+53.25	+56.83	+46.02

SOURCE : Compiled from *Census of India, Paper 2 of 1981: Provisional Population Totals, Rural-Urban Distribution*.

The pattern of urban growth outlined above on the basis of Census data does not, however, reveal the *problems* of urban growth mainly because it cannot throw adequate light on the characteristics of India's urbanisation which is, in many ways, quite different from the patterns and processes witnessed in the west during its phase of ascendant industrialisation. Even the west experienced several socio-cultural traumas during the hey-days of its capital accumulation when its urban centres offered very ugly profiles. But, by and large, the lessons of this period were not encapsulated into the local government structures replicated in Third World countries like India which have not yet carried out a major reform of ULSGIs that it inherited from her British rulers.

Altogether, the story of local urban government in India can be stated succinctly in a few words: structural stagnation with functional overload. The solution to this morbidity lies not merely in reforms but in retro-fitting the existing structures with instruments and strategies derived from India's rather recent experience of management of the challenging tasks of rural development.

FORMS AND FUNCTIONAL SPAN OF ULSGIS

Thanks to the liberal outlook of Lord Ripon, urban India has been endowed with a network of statutory local self-government (not merely

'local government' but, to emphasise the not-so-obvious, local *self-government*) institutions for slightly over a hundred years. One does hear much about institutions of local government as well as local self-government in ancient and medieval India, but it is safe to assume that, at least in the case of urban India, the British were undertaking institution-building *de novo* with India's traditional institutional structures having almost withered away by the end of the nineteenth century.

Being visualised as organs of local self-government, the British ULSGIs laid more emphasis on their representative character rather than on their administrative capabilities. It is interesting to note that even today, though India became independent in 1947, the stresses and tensions between the deliberative and executive wings of urban local government institutions continue to occupy significant, in fact greater, attention. In a way, the early emphasis on the representative role of the urban local bodies was justified by the smallness of their functional span because even up to 1941, India had not witnessed the emergence of urban agglomerations which now seem destined to dominate urban India as the modernisation process gains momentum in the country, taking both the urban and the rural areas in its stride, the latter more indirectly than directly.

Thus, as late as 1901, there was only one city with a population of over one million and, even after Bombay municipal corporation crossed this mark in 1911, as recently as 1941 only the cities of Calcutta and Bombay had populations exceeding one million; the number of million-plus cities grew rapidly thereafter (reaching seven in 1961, nine in 1971 and twelve in 1981). But there can be no doubt that in the late seventies and early eighties of the nineteenth century, when the structural foundation of India's ULSGIs was being laid down, India was a land of small towns and smaller villages. It should, therefore, not be surprising if British architects of ULSGIs laid greater emphasis on their representative rather than their administrative character, all the more because they tried to satisfy through these institutions people's urge for political participation. One could even argue that India had hardly any need for well-elaborated structures of local government in its small urban segment even today is dominated by less than half a dozen metropolitan centres, while the remaining 3,240 towns recorded in the 1981 census can be treated as 'urban' only in a technical and not in a techno-economic, let alone psycho-social, sense.

Given the great disparities in the sizes of urban centres, ULSGIs in India have been classified into, broadly speaking, four types—Municipal Committees, Municipal Boards, Municipal Councils and Municipal Corporations. By and large, the larger urban centres have been provided with Municipal Corporations and the smaller urban centres have Municipal Committees. Thus, for most of the million-plus cities, Municipal Corporations have been formed, while most of the urban centres classified by census as class V and class VI have Municipal Committees. The urban centres

of intermediate population-size are under Municipal Boards and Municipal Councils. We would hasten to add that there is no hard and fast rule governing the correlation between population-size of a town or cities and its Municipal status. By and large, one can still observe a tendency for a urban centre to move from Committee status towards the Corporation status as its population expands and, thus, these four types of ULSGIs constitute a continuum along which an urban centre moves as its population increases.

The Board-Committee-Council-Corporation classification is not just nominal; to any Indian interested in public affairs, these instantaneously convey a great deal of information about the structural form as well as the functional span of the ULSGIs so designated because this four-fold continuum has, in fact, come to symbolise a stratification pattern with different types of municipal institutions, enjoying different quantum of powers, resources and functional autonomy. Thus, the Corporation-type of ULSGIs stand at the apex of the municipal government and enjoy an impressive amount of autonomy in order to provide a wide range of services to the large populations they serve. In fact, to begin with, this type of municipal status was given only to the great 'Presidency Towns' of Calcutta, Bombay and Madras and even today Municipal Corporations exist only in the class I type of cities (*i.e.*, cities with a population of over 1,00,000). The Council-type of ULSGIs also enjoy a great deal of structural and functional autonomy and are, typically, constituted for class I (with population over 1,00,000) and class II (with population between 50,000-1,00,000) cities, while the Committee-type and Board-type ULSGIs are to be found in the smaller towns. Finally, the Board-type of ULSGIs have been used to meet the special needs of urban centres deserving special municipal status, irrespective of their population-size. Thus, regimental centres of the armed forces have Cantonment Boards to provide the necessary municipal services to the military as well as the non-military people, living in what is ritually a 'out of bounds' area for the ordinary civilian service channels. Similarly, large-sized residential educational campuses (like Vidya Vihar in Pilani, Rajasthan) and new industrial townships have been endowed with board-type ULSGIs although, in some cases, they also have the committee-type municipal institutions.

PATHOLOGY OF URBAN LOCAL SELF-GOVERNMENT: HYPOTHESES TOWARDS A DIAGNOSIS

Irrespective of the form or type, ULSGIs in India have been created by statutes which also define their jurisdiction, powers, functions, financial and personnel resources and pattern of external controls. With the launching of the Constitution of India on January 26, 1950, the statute-making power in this regard has been vested in State legislatures. However, given the well-

known operational dynamics of the Westminster model of parliamentary democracy, it is only a formal disguise for exercise of this power by the state executive—the council of ministers headed by the Chief Minister. Thus, what was a political premium (*i.e.*, the elective basis of ULSGIs) in pre-1947 India which, in turn, gave an unprecedented boost to the prestige enjoyed by municipal institutions (with political stalwarts, like Jawaharlal Nehru, Sardar Patel and Subash Chandra Bose being chairmen of one type of ULSGIs or the other during the formative phase of their political career) has, after the introduction of popularly elected representative institutions at the centre and state-levels, become a ritual, because neither the council of ministers nor the legislative assemblies are enthusiastic enough to part with their own powers, functions and structural controls in order to promote and sustain the growth of democratic municipal institutions which would imply that they are also controlled by people's representatives who, in turn, have their own electoral base.

More recently, the electoral competition for people's representation has assumed a distinctive *political* profile as India's freedom-winning political party, the Indian National Congress (INC) and its different off-shoots and incarnations, have found it progressively more difficult to secure seat-majorities (the question of vote-majority being simply academic in the Indian first-past-the-post election system) in the municipal corporations and municipal councils all over India; even with respect to boards and committees in smaller towns and cities its electoral record has been rather uneven. It is only fair to add that it is not only that the INC has found the urban electorate hard to woo; the various non-Congress political formations (including the coalition-type SVD governments which came to power in the wake of the 1967 elections as well as the Janata Party which ruled at the Centre after the 1977 Lok Sabha elections) have fought shy of holding municipal elections and few of them have cared to implement the municipal reforms which forms a stable component of their political rhetoric.

The disenchantment of state-level ministers and legislators with the position of rival centres of political power and administrative patronage which municipal corporations and municipal councils would tend to become, has produced several negative repercussions on the growth of ULSGIs in India which may be schematised as follows:

Political

- (i) Non-upgradation of municipal status;
- (ii) Repeated dissolution and supersessions of municipal institutions;
- (iii) Non-holding of municipal elections;
- (iv) Creation of alternative institutional structures; and
- (v) Partisanship in the nomination of non-officials.

Administrative

- (i) Retraction of pre-existing municipal functions;
- (ii) Non-devolution of newly-emergent functions;
- (iii) Proliferation of multiple structures;
- (iv) De-municipalisation of revenue-sources; and
- (v) Devaluation of the authority of deliberative wings.

Without going into the details of the political repercussions of electoral competition between state and local representative institutions, we would like to emphasise that this constitutes one of the most important reasons for the continuing decline in the efficacy and efficiency of ULSGIs as also of the relatively lesser but nevertheless real eclipse of PRIs in India. After all, the basic foundations of urban local government were laid several decades ago when total urban population was itself quite small, let alone the question of a conscious citizenry agitating and asserting its municipal rights and yet during the last 3 decades or so nothing has been done to improve or upgrade the capabilities of institutions cast primarily in representative (and not administrative) moulds. To add to the woes caused by this genetic structural obsolescence is the persistent default of various state governments in ensuring that the batteries of municipal government are constantly re-charged; the state-level power-elite are, in fact, reluctant even to upgrade the status of municipal institutions in tune with the phenomenal growth in population with the result that even such important million-plus city as Jaipur continues to be endowed with a municipal council and several class I cities and larger towns have to make good with municipal institutions of a status inferior to that warranted by the size of their population.

The administrative consequences of political antipathy of state leadership towards local-level elective institutions are even more dangerous; whatever structural autonomy and functional diversity the ULSGIs enjoyed even on the eve of independence are being gradually whittled down either by way of direct de-municipalisation of services and functions hitherto performed by ULSGIs or by constitution of alternative institutional structures to handle the newly-emergent needs of the fast-growing towns and cities of India. In terms of sheer administrative efficiency, some of these alternative structures can claim certain obvious advantages associated with externalities of large-scale operations and specialised spheres of functioning, but there are strong grounds to suspect that the proliferation of such single-purpose institutions has something to do also with the desire of the state-level political leadership to keep the patronage involved in provision of municipal services under their direct control by establishment of single-line administrative agencies and authorities rather than upgrading the existing municipal organisations to handle such tasks because the latter inevitably raises the question of the political label of the hand which directs the local-level delivery systems.

The ULSGIs in India have, thus, undergone a long period of neglect rather than reform; this stands out very clearly in sharp contrast to the substantial public and academic attention showered on their rural counterparts with the Government of India even appointing a committee (in 1971, there had been, in fact, a talk about a National Commission) to review the structure and performance of PRIs in 1978, while several such state-level exercises had been undertaken during the sixties and seventies. True, as hinted earlier, the entire field of urban development has witnessed a large number of innovations and reforms but most of them have been outside the institutional structure of ULSGIs in India. Thus, Calcutta has been given a Calcutta Metropolitan Development Authority and Bombay a city Industrial Development Corporation and several large cities have also been endowed with Development Authorities such as the Delhi Development Authority but, so far, no attempt has been made to integrate the activities of these bodies with the conventional Municipal Councils/Corporations which also continue to function in these metropolitan centres. Similarly, the emergent tasks of pollution and looking after of sewerage and water supply have been inevitably entrusted to special-purpose public undertakings which have been endowed with a variety of organisational forms without any attempt to dovetail them into the pre-existing framework of municipal institutions. Again, land and housing development in cities and towns has been either entrusted to statutory Urban Improvement Trust or DDA-type Development Authorities which are headed or dominated by the political appointees owing allegiance to the ruling party. To give yet another example of the by-passing of ULSGIs, we might mention the semi-autonomous Housing Boards which have been entrusted with responsibilities for provision of house construction and sale of built-up houses and apartments in large cities and small towns. Similarly, such conventional urban services as health and transport are also being kept out of the municipal area with the result that urban residents of most large cities and small towns rarely come into contact with municipal institutions whether they happen to be of the committee or council type. The residents of metropolises like Calcutta, Bombay, Madras, Hyderabad, Ahmedabad and Bangalore, etc., of course, come into greater contact with ULSGIs but even then the fact, nevertheless, remains that no new function has been added to the repertoire of these Municipal Corporations and the more important techno-economic needs of the burgeoning population of these cities are being increasingly met by special-purpose organisations with a statewide span of operations and not local institutions of urban self-government.

The capacity of the ULSGIs to provide even the conventional municipal services is being further eroded on account of de-municipalisation of the more remunerative sources of income or bases of revenue. The fact of the matter is that not only the state governments but even the Union government in India have constantly been on the look out for lucrative sources of

revenue and have never hesitated to take such revenue-sources out of the jurisdiction of ULSGIs; two most outstanding examples of such de-municipalisation of resources being entertainment tax and sales tax which, if they had been left with the municipal institutions as per the original statutory enactments, would have changed the face of municipal finance in India. Saddled with inelastic sources of income, most of the ULSGIs in India are hard put even to maintain the quantum and quality of services which they used to provide during the thirties and forties, let alone the question of handling the functions generated by rapid increase in the population of small and medium-size towns on the one hand and the irresistible snow-balling of the metropolitan population of the million-plus cities on the other.

The upshot of resource base shrinkage and functional bypassing of the ULSGIs has been the growing public apathy towards the municipal institutions with the urban citizens looking towards a large number of single-purpose institutions for meeting their requirements for housing, water and electricity supply, commuter transport systems and primary health services, etc., etc. The general apathy of the citizens towards the elective municipal institutions accentuates internal struggle between the executive and deliberative wings, with the municipal executive slowly getting the upper hand as it becomes accustomed to operating for long periods without any supervision by elective representatives of the people. In the process the citizens get further disillusioned. Thus the vicious circle goes on and on.

The problems of municipal government in India are further compounded by the non-recognition of ULSGIs as part of the planning process. Being regarded as non-plan non-development institutions, the various types of urban local self-government institutions are deprived not only of the short-term benefits of receiving enhanced grants and grants-in-aid in successive plans but their long-run interests also suffer as they are left out of the regular nationwide planning exercises. In fact, municipal finance is not even dovetailed with the State Plan and various ULSGIs receive only projectwise grants without being given an idea regarding the total size of state assistance for revenue and capital budgeting. In this respect at least, if not in others where similar processes had been afoot, PRIs have been better off than the ULSGIs.

RURAL TYPOLOGY OF URBAN PROBLEMS

Revitalisation of the stagnant and almost non-functional institutions of urban local self-government in India, is, thus, a formidable task. But given our commitment to democratic norms of "people's participation" it must be attempted (and attempted sooner rather than later) when India's urban 'population' is likely to become well-nigh beyond control.

In this 'Concept paper' we need not dilate upon the necessity of participative management of development—whether in the rural or urban sector—

but we would certainly like to emphasise that the current Indian experience shows that it is far more easier to achieve it in the rural sector than in the fast-expanding large cities and metropolises which have been endowed with legal-formal structures ensuring representativeness but which are today ensuring neither representative democracy nor administrative efficiency to cope with the ever burgeoning problems of urban development. In part, the failure is *conceptual*; no one (politico-administrative elite as well as academic researchers) has considered it desirable to devote to the problem the attention it deserves as has been lavished on the comparable problems of management of rural development.

All said and done, policies, programmes and administrative strategies for development management emerge only from think-tanks like the UNCRD or World Bank or Planning Commission or academic organisations like universities and research institutes but the potentially explosive issues of India's metropolisation have attracted far less intellectual attention than what they should. Even at the risk of digression, it would bear emphasis that India, with a population of less than 700 millions and ranking much lower than China in production of most important industrial outputs, already has an urban population which is roughly one-fourth of its total population. In contrast, China, with a much larger population, and greater industrial output and higher growth rates of GNP and as well as per capita incomes, has only 13 per cent of its total population as urban. It is in this sense that we are talking of the need to pay attention towards 'retro-fitting' the ULSGIs with tools, techniques and operational procedures borrowed from India's experience in democratisation of development administration under such well-known ideas and institutional structures as *Panchayati Raj*, *Antyodaya* and Integrated Rural Development Programme (IRDP). In fact, the essence of IRDP, which lies in targeting of remunerative assistance towards below-the-poverty-line beneficiaries, has already been extended towards urban clientele in some states like Rajasthan and more such rural-to-urban transfers of development management technology are likely to occur sooner than the so-called specialists in urban local government or urban development management are likely to visualise, let alone plead for, at the present moment.

A significant proportion of India's current and emergent problems of urban development management are *rural*; this view, should provide the rationale for transfer of strategies with a view to strengthening the ULSGIs which are being increasingly relegated to the side-lines as a host of other institutions and organisations are being established to take care of the basic needs of India's fast expanding cities and towns. This approach is all the more necessary if we want to focus or target the municipal services towards the 'urban poor', most of whom resemble citizens of rural India even though they might be residents of metropolitan territories basically. In sum, our basic thesis is that "urban poor in India are largely of rural

character".² The arguments in support of this thesis are not far to seek.

First, rural-to-urban migration (and not natural increase alone) is the major reason behind the growth in India's urban population, especially after 1961. This is so even though a vast amount of migration in India is only short-distance (*i.e.*, from one village in a Tehsil to another village in the same Tehsil or from one village to another town in the same district). But the fact that India's overall growth-rate during 1971-1981 was only 24.75 per cent, whereas its urban population had a nearly double growth-rate, *viz.*, 46.02 and its class I cities had even a higher growth rate of 56.83 per cent indicates that India has not been so successful as compared to, say, China, in controlling the outmigration of rural people to its towns, cities and metropolises, all of which contain large segments of first and second generation ex-ruralites who cannot be expected to have become totally de-ruralised, let alone urban *per se*. Further, there is also the phenomenon of floating population coming from rural to urban areas for temporary/casual employment in situations of drought and floods or to get over lean employment/unemployment.

Secondly, in every town, city and even in metropolitan centres like Calcutta and Bombay, one comes across a large number of people following occupations which are essentially rural, *viz.*, animal husbandry, poultry, rope-making, basket-weaving and a variety of other cottage industries and handicrafts. To this list we might add almost all the urbanites engaged in what is now called the 'Informal Sector' as well as people performing traditional *Jajmani* services, *e.g.*, barber, washerman, goldsmith and the like. One can find people following these occupations in every town and city of India and even in the most populous metropolises like Calcutta and Bombay their professional, domestic or social life-style has been de-ruralised only partially. Again, every town and city of India and even the metropolises, although they are trying their best to eliminate it, continue to harbour a large chunk of scheduled caste population which specialises in scavenging and providing other basic sanitary services which have not been mechanised entirely—*e.g.*, carrying head-loads of night soil. These people are urban only territorially; their social and cultural values are in no way different from their rural counterparts and, in any case, their needs and wants cannot be fulfilled by devices typical of Western-style urbanisation where most of these services have been totally mechanised.

Thirdly, almost every medium and large urban centre in India is now beginning to develop slums and squatter colonies inhabited by families engaged in the 'informal sector' as well as more organised industries such as

²In fact, as George V. Coellio and Jane J. Stein have put it: "Most of the human race is still rooted in a rural way of life. If present trends continue, this will be an urban planet with more than two thirds of our race living and working in towns and cities by the year 2000", urban stress in *Urban India*, Vol. 3, No. 3, September 1983, p. 13.

construction work, brick-kiln factories, mining and quarrying and urban transportation. In the case of bigger cities, even people earning incomes in the income-taxable range, can also be found to be living in such tenements and unauthorised colonies. These people are definitely less rural than those mentioned above and they are certainly conscious of the need to have access to such urban facilities as water, electricity, medicare and public transport but their actual entitlement is far below what the urban residents of middle-class and posh colonies regularly get. Although one hears so much about slum-dwellers and squatters, actually very little academic study of the social and economic life of such people has been made and even the policy-makers and administrators are groping in the dark as far as handling of their problems are concerned. In view of their rural background and village-type social life-styles, the well-proven strategies and delivery systems evolved for purposes of administering such programmes of rural development as Training to Rural Youth for Self-Employment Schemes and Small Farmers Development Agency are, however, likely to be viable in case of such urban poor also, though they will have to be given an urban orientation.

Fourthly, we also come across a section of the urbanites who are poor but not rural, *viz.*, beggars, pavement-dwellers and others engaged in a variety of criminal and immoral activities such as smuggling, boot-legging and prostitution, etc. Most of these 'urban poor' are likely to remain outside the network of any kind of urban development agencies and perhaps only well-trained social work specialists can have any access to them outside the ordinary 'law and order' machinery. Even with respect to this section of veteran urbanites, approaches based on Rural Sociology are likely to have some appeal, especially those who have newly arrived after deserting their not-so-poor rural assets. The conventional ULSGIs deal with this section of 'urban poor' just as they deal with residents of high-rise apartments. However, in case the municipal bodies are equipped with social workers *also* trained in Rural Sociology, quite a sizeable percentage of this type of rural-to-urban migration can be prevented through ordinary methods of counselling, persuasion and publicity in the urban as well as the rural areas which are breeding grounds of this type of urban poor population.

Lastly, another rural dimension of India's urban development lies in the fact that it inevitably, especially with reference to class I and class II cities, involves gradual encapsulation of rural areas within municipal boundaries. The phenomenon of rural-urban continuum as reflected in 'ruro-urban' and 'peri-urban' development has been, in fact, the most well-studied aspect of urban development management in India and in some cases the necessary policy-conclusions have also been embodied in the structure of the newly created bodies like Development Authorities. However, the benefits of these researches and analyses have not yet been extended to the ULSGIs.

AUTONOMY VS WEB OF RELATIONSHIPS

We may now turn to unresolved common problems of PRIs and ULSGIs which relate, in vertical terms, to jurisdictional overlap among different levels of government and, horizontally speaking, to the existence of competitive delivery systems. As far as the first is concerned, it cannot be altogether avoided, as in developing countries like India, development, whether of urban or rural areas, will have to be a shared responsibility of the central, state/regional and local governments. Yet to whatever extent devolution and earmarking of jurisdiction is possible, it must be attempted so that local government institutions develop an identity of their own and become both responsible and responsive. As far as the second is concerned, the effort should be to have a unified local authority at urban/rural local levels, providing all the facilities that fall within its jurisdiction to the people of the area. Specialised agencies may be created to work under its umbrella and not in spite of it. Then alone PRIs and LSGIs will catch the psyche of the people and become viable instruments of their development. So long as this is not done, the crisis of identity of PRIs and LSGIs will persist and these would not succeed in delivering the goods. The argument can be best summed up in the words of U. Hicks as follows:

Local body is the only governing institution which has contacts with the maximum local population and is aware of local needs and problems. It is better placed to provide right things at the right place and at the right time and can utilize the co-operation of people being under its jurisdiction to make the programme a success... the key of success lies in the development of an efficient and democratic system of local government... local, because the system of government must be close to the common people and their problems; efficient, because it must be capable of managing the local services in a way which will help to raise the standard of living; and democratic, because it must not only find a place for the growing class of educated men, but at the same time command the respect and support of the mass of the people.³

LIMITATIONS OF THE ARGUMENT

The foregoing survey of the types of 'urban poor' and their needs is, of course, not intended to convey the impression that all the problems of 'urban poor' can be solved with the help of mechanisms derived from rural local self-government institutions nor should it be taken to mean that all the 'urban poor' can be brought within the focus of ULSGIs by retro-fitting them with IRDP—type operational procedures or Antyodaya-type targeting

³U. Hicks, *Development from Below*, London, Oxford, 1961, p. 4.

mechanisms within the framework of modified institutional structure suggested above. The point that deserves to be highlighted is that local-self-government institutions operating in rural India have been endowed with an anti-poverty focus and that also as part and parcel of the planning process, both of which are germane to ULSGIs also. PRIs have already acquired some experience in this regard, despite the disenchantment of the politico-administrative elite at higher echelons with them also. This experience can at least be partially transferred to the urban arena where the poorer sections are more rural than urban, all the more because in the Indian context at any rate 'urban' and 'rural' are not exclusive domains but part and parcel of a living and interactive continuum. □

Development Administration and Rural Development Strategy in Kenya: A Review of its Special Rural Development Programmes (SRDP)*

H.K. Asmerom

IN REASSESSING the well-trodden theme of rural development strategy, undertaken on experimental basis, a few questions must be asked at the outset. First, what was the SRDP all about? Second, how did it originate and how did it end up? Third, what were the lessons gained from this unique experiment, especially from the point of view of administration for rural development?

Before we tackle the theme in its various aspects, a few facts and trends are worth noting, primarily as an orienting background.

THE BACKGROUND

The country achieved independence in 1963 under a parliamentary system of government: the Kenyan African National Union (KANU) formed the government and the Kenyan African Democratic Union (KADU) was the opposition party in Parliament.¹ The country retained its political link with the British Crown as the Queen continued to be the head of state of the new nation—an arrangement which was not unique for Kenya. However, the link with the British Crown was severed when the country declared itself a republic in 1964 with Jomo Kenyatta as its first President. The move to create a republic was considered a vital step to the realisation of the country's full independence. With the declaration of the republic, KANU swiftly asserted itself as the only credible political party in the country dedicated to the well-being of all Kenyans. Apart from the undeclared intricate inter-

*It is an abridged version of part of a literature study report on the background and perspectives of Administration for Rural Development in Kenya and Tanzania completed last year. In its draft form, it was presented to the Workshop "Staat en Maatschappij in Afrika" held at the African Studies Centre, Leiden in December 1981. Comments and suggestions received from Workshop participants have been incorporated in this article. While I am thankful to all those who contributed to its improvement, I am solely responsible for all possible weaknesses and shortcomings that might still be detected in it.

¹C. Gertz, M. Goldschmidt and D. Rothschild (eds.), *Government and Politics in Kenya: A Nation Building Text*, Nairobi, East African Publishing House, 1969; and C. Gertz, *The Politics of Independent Kenya*, Nairobi, East African Publishing House, 1970.

tribal and inter-factional manipulations, a series of legitimate constitutional amendments were introduced and a Little General Election was held to eliminate and discredit all forms of opposition including splinter groups from within the party itself. In the process, a powerful presidency was institutionalised and a highly centralised bureaucratic machine was created to ensure the President's rule through the country and to carry out socio-economic programmes in accordance with the government's policy of 'African Socialism'.² In fact as it turned out to be, the leaders did not abandon the administrative framework and its orientations as well as the practices they inherited from the British colonial rule.³ In its new face, the bureaucracy became a tool of presidential rule. At the same time, members of the bureaucracy, especially those at higher echelons at the central level and in the provincial and district administrations, emerged as a privileged interest group. Together with other interest groups (the commercial and business entrepreneurs as well as rich farmers) in the country and supported by capital from abroad, they emerged as advocates of and participants in the capitalistic pattern of development that was being planted in the country. In this context, an unmistakable line of patron-client relationship emerged as a safeguard to the continuity of this pattern of development.⁴

Like many other nations in Africa, Kenya is characterised by the diversity of its tribes. The tribal composition is very uneven. Some tribes, very large in size, have a dominant position in the society—both politically and economically—while others, being minor, play more or less a secondary role in influencing events and trends. In the past almost all the tribes in the country were seen as a reservoir of cheap labour for the town-based industrial activities and the agricultural estates and large farms that were owned and managed by the community of colonial settlers. They were relegated to subsistent or semi-subsistent occupations in the so-called reserve

²"African Socialism", as defined and elaborated by the Kenyan Government in its policy document entitled "African Socialism and Its Application to Kenya (1965)", has been castigated by the opponents of the regime as a "meaningless phrase" and "a cloak for the practice of total capitalism" [see Gertzel *et al.* (eds.), p. 150]. For full discussion and commentary on African socialism and its application to planning in Kenya, see T. Mboya, *A Challenge of Nationhood: A Collection of Speeches and Writings*, London, Heinemann, 1972, pp. 73-105; and A. Mohiddin, *African Socialism in Two Countries*, London, Crom Helm, 1981.

³G. Hyden, R. Jackson and J. Okumu (eds.) *Development Administration: The Kenyan Experience*, Nairobi, Oxford University Press, 1970, pp. 3-22, and 319-334.

⁴M. Tamerkin, "The Roots of Political Stability in Kenya", *African Affairs*, Vol. 17, 1978, pp. 301-316; H. Bienen, "The Economic Environment", in H. Goran, R. Jackson and J. Okumu (eds.), *Development Administration: The Kenyan Experience*, Nairobi, Oxford University Press, 1970, pp. 25-248; H. Bienen, *The Politics of Participation and Control*, New Jersey, Princeton University Press, 1974; and Gertzel, 1970, *op. cit.*

areas, i.e., the least economically viable areas of the country.⁵ After independence, basically to fulfil some of the liberation slogans, attempts were made by the KANU-led government to correct some of the glaring injustices by redistributing land (mostly on sale) to Kenyan Africans. However, as it turned out, such land redistribution programmes and the process of Africanisation of the economy as a whole were not far-reaching enough to reward the peasant masses in a more equitable manner as dictated by the promises of African socialism. Instead, the process of Africanisation and the transfer of wealth from the colonial settlers to Kenyan Africans was restricted to the creation of a handful of local capitalist-oriented rich farmers, commercial and business entrepreneur.⁶ In this way, a trend had been set in motion to create a class stratification in the country and to promote a capitalist pattern of development similar to the one that prevailed under the colonial rule. At the same time, the economy was increasingly integrated into the international capitalist system with foreign investment and multinational corporations actively taking part in the new design of development strategy.⁷ As this design continued to establish itself as the basis of the country's development strategy, the new emerging class became increasingly dependent on foreign capital and international monopolies. In the meantime, the so-called peasant mode of production was seen as a supplement to the capitalist system of economic activity. This means the mass of the peasants directly or indirectly became increasingly subjected to foreign capital. With these trends at full swing, the peasant masses were denied many of the social, economic and political rights promised to them at the eve of independence. Thus, while the country was overwhelmed by the renewed wave of a capitalist pattern of development and it increasingly submitted itself to the dictates of the 'contradictions of neo-colonialism' instincts for political survival, if not genuine concern to raise the standard of living of the vast majority of the rural people, seem to have urged the Kenyan Government to introduce a number of officially-sanctioned programmes, including the special rural development programmes (SRDP). However, before we discuss the SRDP in some detail, a brief reference should be made to the symbolic rural development efforts that were carried out during the colonial period. The initial efforts to promote rural development

⁵The main tribes of the country which had population figures of half a million and above in 1969 include: the Kikuya, the Embu, the Meru, the Luo, the Luhya, the Kamba, the Kalenjin, the Kisii and the Mijikanda. For details, see C. Leys, *Underdevelopment in Kenya: The Political Economy of Neo-Colonialism*, 1975, London, etc., Heinemann, p. 276. For a discussion of the races and tribes in terms of nation-building processes, see Gertzel *et al.* (eds.), 1969, pp. 21-53.

⁶See C. Leys, *op. cit.*; and N. Swainson, *The Development of Corporate Capitalism in Kenya, 1918-1977*, London, Heinemann, 1980.

⁷N. Swainson, *op. cit.*; C. Leys, *op. cit.*, pp. 255-288; and F. Stewart, "Kenya: Strategies for Development", in G. Damichi, G. Routh and E. Eli Taha (eds.), *Development Paths in Africa and China*, London, Macmillan, 1976, pp. 80-111.

programmes in Kenya can be traced to the so-called Swynnerton Plan of 1954. In principle this original plan had addressed itself to the development of rural areas throughout Kenya. However, in practice, the plan was confined to the development of the Kikuyuland where the colonial authorities spent about £ 11 million between 1954 and 1960, with the implication that less money was available for the rest of the rural areas. Even in the Kikuyuland itself, it was alleged that the aim of the plan was basically restricted to promotion of cash crops at the expense of subsistent agricultural production. As some studies indicate, this one-sided aim was more or less achieved, but it was at the cost of a truly integrated multi-purpose rural development programme. Indeed, it seems that very little attention was devoted to raise the standard of living of the rural people and to improve the quality of rural life as a whole.⁸

As it were, during the last stages of the colonial rule, British agricultural and administrative officers were deeply involved in settlement schemes, land consolidation programmes, large farm transfers, and in creating credit facilities to finance rural development programmes. In this context, it has been recorded that the initial settlement schemes—despite the fact that they created a great deal of organisational and political problems for the colonial administration, and that they incurred high short-term cost—are believed to have provided a blue-print for a massive extension of cooperative movement, while they served as demonstration effects for the spread of modern planned town centres in the agricultural areas. However, these token settlement schemes did not speed up the tempo of rural development in regions inhabited by Kenyan Africans.⁹ At this juncture and at the risk of some deviation, the fact should be mentioned that *via* the Harambee Movement a variety of voluntary rural development programmes were being undertaken in the country, both before and after independence. As it were, the Harambee Movement—a self-help programme which is native to Kenya—embraces ideas of mutual assistance, joint effort, reciprocal social responsibility and community self-reliance. To this extent, Harambee schemes operated at the village level in the form of social exchange of labour and other forms of mutual rewards.¹⁰ After independence, the idea and the ideals of Harambee were revitalised in full. In 1963, it was forcefully articulated by the late President of the country, Jomo Kenyatta, as a national strategy for development. Since then, the idea of Harambee became part and parcel of the Kenyan social scene. It has been employed to mobilise

⁸F. Taylor, "Spatial Aspects of Kenya's Rural Development Strategy", in S. Hoyle (ed.), *Spatial Aspects of Development*, London, John Wiley and Sons, 1974, pp. 167-187.

⁹B. Brack, *Political Administration and Rural Development in Kenya: Lessons from Settlement and other Rural Programmes*, Michigan, University Microfilm Inc., Ann Arbor, 1977, pp. 243-253.

¹⁰P. Mbithi and R. Rasmusson, *Self-Reliance in Kenya: The Case of Harambee*, Uppsala, Scandinavian Institute of African Studies, 1977, p. 14.

the people for a variety of local programmes and voluntary self-help projects, including the building of schools, health centres, agricultural cooperative and other community facilities.¹¹ The secret to the successes scored by the Harambee Movement seems to lie in its voluntary character and the support it receives from politicians of all ranks as well as from the tribal chiefs with the help of traditional rituals employed to mobilise the ordinary people and to ensure their participation in Harambee projects.¹²

Based as it is on the country's traditional norms, value considerations, voluntary contributions and mobilisation for concrete action, the Harambee Movement is bound to continue to play a leading role in the country's development efforts at the grassroots level, despite the fact that the planners and the bureaucrats at the centre seem to see it as a nuisance and to that extent it should be regulated and subordinated to the targets of the national development plans.¹³ At any rate, the gravity of rural problem which prevailed in the countryside in the 1960s urged the government to look for new, well-integrated and rational rural development strategy that could be tried experimentally to begin with and then replicated on a nationwide basis.

THE BIRTH OF THE SRDP

For a couple of years after independence, the Kenyan Government was primarily concerned with the immediate tasks of nation-building and with the consolidation of political power in the form of a *de facto* one-party state with Jomo Kenyatta as the unchallenged national leader and KANU as the dominant political party in the country. The party never had a solid grassroots organisation and lacked even an efficient and functioning party organisation at the national level. It was also infested with infighting and rivalries within itself.¹⁴

After the 1966 Little General Election, probably elated by its election successes if not motivated by genuine concern to raise the standard of living of the vast majority of the rural people, the government introduced a number of development programmes which included: (a) village politechnics, (b) multi-purpose district centres, and (c) the special rural development programmes (SRDP). The first two were restricted in their activities to youth and adult rural education respectively while the third innovation

¹¹J. Okoru and H. Spiegel, "Harambee: Self-Help Development Project in Kenya", *International Journal of Comparative Sociology*, Vol. 21, Nos. 3-4, 1980, pp. 243-253.

¹²J. Okoru, *op. cit.*; and R. Otto, "Developing Communications and Communicating for Development: The Harambee in Kenya", (Paper presented at the 22nd Annual Meeting of the African Studies Association in 1979 at Los Angeles, U.S.A.).

¹³B. Thomas, "The Harambee Self-Help Experience in Kenya", *Rural Development Review*, Ithaca, Cornell University, 1980, p. 5.

¹⁴See Gertzel *et. al.*, 1969, *op. cit.*, and Gertzel, 1970, *op. cit.*

was developed into a general strategy for the promotion, coordination and implementation of specific but diverse rural development programmes.¹⁵

The SRDP was, thus, officially recognised and encouraged as the key strategy in the development of the rural areas of the country as a whole. To this extent, it received the greatest attention by politicians, administrators, advisors and scholars alike. As the result of these multiple enthusiasms of rural development strategy, which seemed to be the only viable solution to rural under-development at the time, a conference was held in 1966 at the town of Kericho in which prominent politicians, administrators and research scholars from the University of Nairobi, came together to study the problems of rural education, rural unemployment and rural underdevelopment in its diverse facets.¹⁶ As it were, the deliberations of the conference produced an impressive stream of recommendations. Of course, it was a matter of commonsense that all the recommendations had to be funnelled on the creation of a series of experimentally financed pilot projects in selected districts of the country from which an integrated approach to rural development could be designed for nationwide application over time. Accordingly, eight concrete policy suggestions were put forward on how the integrated approach to rural development could be tackled on experimental basis.¹⁷ These policy suggestions include: survey of existing rural activities; planning of all rural projects with the view of their replicability; establishing coordinating committees at the national level; selection of projects from different parts of the country; appointing a single government official to be in charge of all rural development efforts; seeking aid from abroad to finance the projects; creation of an evaluating unit as part of the effort; and last but not the least, ensuring that all programmes were handled through the existing government machinery.¹⁸

On the basis of policy suggestions mentioned above, the government gave its green signal for baseline survey to be conducted in 14 districts in different parts of the country in which the division was identified as a unit for the survey. From this initial survey, a conclusion was drawn to the effect that a major economic breakthrough of the 'miracle' variety should not be expected and that the problems of Kenyan rural development could only be solved by a slow, steady incremental change on a broad front. Moreover, the survey revealed the fact, that the administrative machinery, as it operated in the rural areas, was weak and inefficient. To this extent, reforming the administrative system along the line of a genuinely decentralised and participatory model was recommended as a matter of priority task.¹⁹

¹⁵Brack, *op. cit.*, p. 301

¹⁶J. Heyer, D. Ireni and J. Moris, *Rural Development in Kenya*, Nairobi, East African Publishing House, 1971, pp. 1-6.

¹⁷Brack, *op. cit.*, p. 304.

¹⁸*Ibid.*, pp. 304-5; and Taylor, *op. cit.*, pp. 171-2.

¹⁹Taylor, *op. cit.*, p. 173.

Following the Kericho recommendations of 1966, the Kenyan Government appealed for external help for financing the SRDP. As a result of the appeal a number of international organisations as well as a number of countries from the west, including the Netherlands Government, favourably responded to the appeal and promised to finance the SRDP. Meanwhile, the Kenyan Government itself was found to be reluctant and even unwilling to contribute money to finance any of the SRDP. What is more, the government resented the specific conditions and suggestions which were put forward by many of the countries and organisations which showed their readiness to give aid to finance the project.²⁰ As a result of the looming disputes and disagreements, it was realised that the lofty recommendations of the Kericho Conference could not be translated into concrete programmes as expected by the idealist (or cynical) conference participants. This meant, in fact, that the process of institutionalisation of the SRDP assumed a steady and slow pace in the tangles of the decision-making process. With the complicated situation already at work, a committee was created in 1967 within the Ministry of Economic Planning and Development. The mandate of the committee was to review the scope and the magnitude of existing rural development efforts in the country as a whole and to suggest a design for introducing new and workable pilot projects. However, as it came out, the committee's report was not only critical on how existing programmes were being organised and managed, but also stressed that any new dramatic design of rural development programme should be preceded by a thorough study of prevailing rural development programmes in the country.²¹ Thus, as a result of the committee's more or less negative report, the Government initiated fresh discussions in 1968. Consequently, a number of concrete decisions were arrived at in the same year. These decisions served, so to speak, as the definitive frame of reference for creating the SRDP. These decisions were as follows:

- (a) The size of a pilot project was to be limited to single administrative division within a given district.
- (b) The final number of the projects were to be about six (*i.e.*, one from each province with the exception of the North-East because of its lack of agricultural potentialities).
- (c) The final selection was to be made scientifically from 10 to 20 carefully reviewed areas.
- (d) An outside agency, *e.g.*, the University College would be asked to conduct the initial survey.
- (e) Preliminary survey was to be completed as soon as possible so that implementation could start in 1969.

²⁰Brack, *op. cit.*, p. 305-6.

²¹Heyer, *et al.*, *op. cit.* 1971, pp. 1-2.

- (f) In order to ensure the objectivity of continuing assessment of the pilot programmes, evaluation was to be separated from the operational responsibility for the field programmes.²²

Consequently, on the basis of the above mentioned decisions (frame of reference), the Kenyan Government and the Institute of Development Studies of the University of Nairobi jointly conducted a survey of rural development programmes in 14 different districts of the country. Incidentally, the survey was carried out in a matter of three months' period of time which was rather short to produce a reliable comprehensive report. At any rate, on the basis of this 'crush' survey, the government decided to launch projects in all the 14 areas instead of using the survey to select a limited number of them to start with the pilot projects as originally conceived. Moreover, looking at the SRDP as a new strategy for rural development from the point of view of development administration, the Institute of Development Studies (IDS) survey team agreed that the *division* (emphasis added) was an appropriate level where coordination and integration could be achieved, but in practice there were many obstacles. For instance, the divisions did not possess all the administrative and technical staff they needed to carry out their activities reasonably well. The divisions were found out to be a rather weak link in the government's administrative hierarchy. Moreover, in some cases, the divisional boundaries did not coincide with the division as a viable economic unit.²³ Even at the district level, the problems were quite many. Thus, as the Heyer team of researchers found out, there was frequent transfer of staff which was characteristic of almost all the central government departments in the rural areas. Further, there was no transport and communication links in several areas. Coordination between district and divisional teams was found to be ineffective while coordination between different departments was based on informal *ad hoc* basis and its effectiveness depended on the personalities of the concerned officials than anything else.²⁴

The coordination of plans at the district and divisional levels was performed through the district and the divisional development committees. Alongside the development committees, there were also development advisory committees at the provincial and district levels. The development advisory committees were composed of members of the development committees, members of Parliament, members of the county councils, KANU chairmen and one or two other prominent local citizens. The development advisory committees were expected to discuss and eventually react to the proposals of the development committees. But very often they were ineffective in rendering the sort of advice expected of them while in many

²²Heyer, *op. cit.*, p. 3.

²³*Ibid.*, pp. 5-10.

²⁴*Ibid.*, pp. 23-6.

provinces they existed only for a short period of time.²⁵ Community development committees existed at the provincial district, division, location and projects levels. Although these committees were more active than the development committees and attracted more local participation than the development committees, they were also not very effective in discharging their activities.²⁶

At the time of its study (1968), the IDS team from the University of Nairobi also found out that the county councils were still responsible for several crucial services including primary education, health services, and secondary and unclassified roads.²⁷ The IDS team also detected that lack of coordination, which prevailed at the lowest levels, adversely affected rural development programmes; while the apparent inadequacy of transport and marketing facilities, lack of technical knowledge in developing the right type of crops and poorly organised training programmes had aggravated the already inadequate management of rural development programmes. To make a long and very grim story short, the overall findings of the 1968 IDS report concluded that in all the areas covered by the survey, the multiple problems which retarded rural development were either neglected or tackled in a very haphazard and inefficient manner. The team expressed its misgivings on the existing situation. The team observed: "the traditional measures and approaches to rural development could not offer much hope for sustained and nationwide success, and the much acclaimed extension breakthrough argument for rural development was of limited applicability to Kenya inasmuch as the selective introduction of high value cash crops could not serve as a strategy for balanced rural development and for equitable distribution of income throughout rural Kenya".²⁸ In other words, the approaches to rural development which prevailed in Kenya before the SRDP came into being, were not capable to overcome the short- and long-term problems of rural underdevelopment and the growing inequality between the rich and the poor which was rapidly taking place in the country since 1963. At any rate, as a plausible challenge to the monumental problems of rural underdevelopment, as discovered by the IDS team of researchers, the 1968 IDS report became the basis for delayed inauguration of the SRDP in 1970 in the form of pilot projects in six selected areas. The six characteristics which were adopted as a guide for its

²⁵R. Jackson, "Planning, Politics and Administration", in Hyden G. *et al* (eds). 1970, *op. cit.*, pp. 171-200.

²⁶*Ibid.*, pp.197-8; and Heyer *et al.*, *op. cit.*, 1971, pp. 27-8.

²⁷These activities were taken over by the central government in 1970 as part of its centralisation process. See, for instance, Mulusa, "Central Government and Local Authorities", in G. Hyden *et al.*, (eds.), *op. cit.*, pp. 233-51.

²⁸Heyer, *et al.*, 1971, *op. cit.* pp. 7-9.

successful realisation are:

- (a) coordination and integration of development efforts in selected areas.
- (b) experimentation,
- (c) maximum use of man and material resources in the field,
- (d) mobilisation and involvement of rural population to support and sustain development in their areas,
- (e) training and education of rural population so that they can fully participate in rural development programmes, and
- (f) replication of the planning and plan execution processes learned from the pilot areas in other rural parts of the country.²⁹

To be sure, fate of the SRDP, as far as its future utility as a viable strategy for rural development is concerned, was heavily dependent on the idea of its replicability. This idea of replicability seems to have harboured from the start a questionable and a half-hearted gesture on the part of the Kenyan Government regarding its becoming a truly integrated approach to rural development.

SRDP AS AN EXPERIMENT IN ADMINISTRATION OF RURAL DEVELOPMENT

In the discussion so far, the background setting and an outline depicting the origins and the intended aims of the SRDP have been briefly dealt with. The prevailing administrative framework and its shortcomings as seen from the point of view of rural development, in general, and its implications for the SRDP, in particular, have also been discussed in the form of an outline. Let us now have a bird's eye view about the type of administrative set-up that was proposed for the purpose of the SRDP. To be sure, the proposed administrative set-up was expected to co-exist with the administrative machinery already operative in the country. To this extent, a remark can be made at this stage of our discussion that the prevailing administrative system was not expected to be reformed (disturbed) at all by the new administrative arrangements which were specially designed for the SRDP. This puts us in a paradoxical situation right from the start, as far as the administrative issues are concerned.

Anyway, coming to the issue at hand, it was proposed that at the national level, the Ministry of Finance and Planning was to be responsible for overall coordination of the SRDP. For this purpose, the ministry appointed a full-time official to look after the entire strategy of the SRDPs from the centre. Moreover, since the range of activities to be covered within the framework of the SRDPs involved a good many ministries, it was realised that a clear device had to be created so that the participating ministry at the

²⁹Heyer *et al.*, 1971, *op. cit.* pp. 14 and 125-8.

headquarters level could receive, process and despatch to the field, information relevant to the SRDP. It was felt that new ideas and proposals both from the centre and the field should be communicated to either direction without delay. To this end, in 1970-71 each participating ministry designated an officer, who became known as the 'linkman'. The appointment of the linkman was also meant to ensure a satisfactory level of inter-ministerial coordination, both in matters of policy and in the range of activities to be implemented in the selected areas as part and parcel of the special rural development programmes. Thus, all relevant issues related to the SRDP had to be directed in the first instance, to the 'linkman' of the concerned ministry. The 'linkman' would then handle the issues with relevant department of his ministry and whenever necessary with the minister himself.³⁰

It has been observed that the linkman system did not function in the same spirit in all the ministries where it was created. In fact, it worked more efficiently and effectively in ministries where senior officials with keen interest in SRDP were appointed to such posts while in other ministries, where the appointed linkmen had no experience of working in rural areas and were also not really enthusiastic about their duties, the system was far from being successful. In some other ministries, where the appointed officials were already fully occupied in other priority tasks, the linkman system was of limited value. These observations are, of course, obvious and common-sense conclusions which do not need to be based on extensive study of the entire administrative machinery. At any rate, the duties and responsibilities of the linkman were officially enumerated as follows:

- (a) Frequent visits to the SRDP area.
- (b) Handling SRDP-related problems for his ministry, which required close consultation with other operating ministries, including the Ministry of Finance and Planning.
- (c) Ensuring timely release of resources from his ministry for implementing SRDP projects.³¹

According to the Second Evaluation Report of the IDS (1975), the linkman system was a useful innovation, despite its weakness noticed in several ministries. It has been reiterated in the same report that the linkman system could be made more effective. In fact, the report went on to suggest that the linkman system could have been institutionalised as part of a drive to make

³⁰IDS, Second Evaluation Report of the SRDP (1975), Institute of Development Studies (IDS), University of Nairobi, Chap. 19-1. Conducted at the request of the Ministry of Finance and Planning, this is a voluminous document having nearly 600 pages. Each chapter of the report begins with a separate page number. Therefore, Chap. 19-1 means chapter 19, page 1 in the report. The same pattern has been followed whenever a reference has been made to the 1975 IDS Second Evaluation Report in this article.

³¹IDS, 1975, *op. cit.*, Chap. 19-19.

Kenyan administrative system development-oriented. In this connection, the report further recommended that the officials, to be appointed as linkmen, should be persons with field experience in the relevant areas of activity and have sufficient motivation to accept the responsibility. Transport facilities and financial allowances were also recommended as a package of incentive for the linkmen to visit the SRDP areas as regularly as possible. It has also been suggested that linkmen from different ministries should meet to coordinate their policies and to ensure their implementation in the field as SRDP projects.³²

In the field, where the SRDP were located, a new post of 'area coordinator' was created. In fact, district administrators, who were appointed to districts by the President of the Republic, were given this post. Thus, district administrators also became 'area co-ordinators' in places where special rural development programmes were launched. In their capacity as 'area co-ordinators', the district administrators were responsible to the ministry of Finance or Planning. They were, of course, still formally and primarily responsible to the President of the Republic as his personal representative in the districts of their appointment. At any rate, in their capacity as 'areas co-ordinators', the district administrators were expected to coordinate all activities concerning special rural development programmes and that of the personnel in the field taking part in these activities. The functions of the 'area co-ordinator' are given as follows:

1. To help officers at all levels to get the programme started and in particular to tackle problems as they arose at different levels—a role not of attempting to dictate to other departments, but of rendering support.
2. To act as a communication link between divisional, district and provincial levels as also interministerially between departments, speeding up communication of information.
3. To act as a contact man with representatives of the donors, evaluators and visitors.
4. To draw up time-tables and work programmes and to maintain the momentum of the programme.³³

Regardless of the official list of functions, in practice, the area coordinators often found themselves in awkward situations: on one hand they were expected to coordinate and to push through the implementation of projects, while, on the other hand, they had no formal authority over their peers in other departments. To make their coordinating function as effective and

³²IDS 1975, *op. cit.*, Chap. 19-19.

³³R. Chambers, *Managing Rural Development: Ideas and Experience from East Africa*, 1974, Upassala, Scandinavian Institute of African Studies, pp. 38-39.

as rational as possible, a new administrative know-how known as the management information system was introduced. In fact, this new system eventually came to be known as the Programming and Implementation Management System (PIM System). As a refinement to the PIM system, a Project Committee was created to initiate and develop programmes which would be integrated into the SRDP and to revise and adjust the PIM System to rural circumstances. Further, a Field Staff Management System was introduced to improve the management and administrative procedures of field officers of the Ministry of Agriculture and other related ministries involved in SRDP.³⁴

The PIM System was introduced by two research scholars, namely, Deryke Belshaw and Robert Chambers (who worked as advisers in the SRDP from 1971 to 1972 and from 1970 to 1973 respectively). The two scholars, in close collaboration with area coordinators and other officials from relevant ministries in Nairobi decided to suggest reform measures to streamline the Kenyan administrative system which they thought was inadequate from the point of view of development administration in general and from the administrative needs of implementing SRDP projects in particular. The result of their effort paved the way for formulation of the programming and implementation system. Thus, although it has been acknowledged that it is very difficult to describe the kind of PIM System introduced in Kenya, because it underwent several changes and adjustments since its inception in 1971, its main components included:

- (a) a project committee, which should meet three times a year;
- (b) informal meetings of area coordinators and SRDP staff;
- (c) an annual implementation and evaluation review;
- (d) an annual programming exercise;
- (e) an annual estimate exercise; and
- (f) an annual re-plan and submission of new proposals³⁵

Chambers³⁶ underlined that a fully developed PIM System should contain three main components, namely: (a) A programme exercise to be held annually before or just at the beginning of the fiscal year. This exercise was to be attended by all those concerned with the implementation of the various phases of SRDP. (b) A management meeting which was to be held monthly and attended by all those concerned with the implementation of the SRDP. In other words, in such meetings, the work progress of projects were to be identified and recommendations were to be advanced to solve the identified problems and bottlenecks; (c) An action report or a monthly management

³⁴R. Chambers, *op. cit.*, p. 39; and also IDS, 1975, *op. cit.*, Chaps. 19-4 and 19-5.

³⁵Chambers *op. cit.*, 1974, p.43.

³⁶*Ibid.*, pp. 44-5.

review, which should contain a brief summary of the progress made and the problems encountered in the implementation of the projects, had to be prepared. The action report was to be eventually sent to the concerned officials at the different levels of the administrative hierarchy. Although there seem to be differences of interpretations and emphasis between those outlined by the IDS Report³⁷ and the ones underlined by Chambers in the present paragraph. In essence, the PIM system was designed to bring about orderly and rational management and routinised procedures of the various special rural development projects.

FINANCIAL PROBLEMS OF THE SRDP

Right from the start, the financial picture of the SRDP was not only very grim, but it was also plagued by mixed feelings and uncertainties on the part of government officials and on the part of donor countries and organisations as well. For most part, the specific projects which were launched within the framework of the SRDP were totally dependent on foreign aid and to that extent the role of foreign experts was more visible in shaping and running the projects. In essence, therefore, the financial situation of the individual projects in all the areas, was characterised by what might be called a dependency syndrome which had found its way into the very heart of the rural areas of the country. The Kenyan Government itself did not seem to have taken the entire scheme very seriously despite the fact that it had spent a good deal of time and energy in conceptualising and in planning the SRDP. Nevertheless, as can be detected from the 1975 IDS Report, the government's financial support for the SRDP was very limited indeed.³⁸ As put by the same report, the concerned ministries did not include in their normal budgeting and planning procedures the specific needs of the SRDP as existed in scattered divisions. For instance, in the fiscal year 1974-75, none of the concerned ministries went above 5 per cent to include the needs of the SRDP as part of their recurrent expenditure. The rationale for such meagre financial allocation was attributed to the fact that the SRDP projects were so small in the larger context of development planning and implementation that planners and policy-makers in Nairobi gave the SRDP very little attention. Further observation into the financial picture also revealed the fact that the concerned ministries, in fact, never made a clear distinction between development expenditures and recurrent expenditures in the context of the district or division in which the total expenditures were allocated. This global budgetary picture created difficulties in finding out how much was spent on SRDP in comparison with the money allocated by the concerned ministry

³⁷IDS 1975, *op. cit.*, Chaps. 19-3 and 19-4.

³⁸*Ibid.*, Chap. 19-27.

for other activities in the particular divisions selected for the SRDP projects.³⁹

The amount of financial aid which the Kenyan Government received from donor countries and international organisations has been characterised as close-ended in character. This means reasonable performance was almost always taken as a precondition for acquiring additional or new financial assistance from abroad. From this scheme of arrangements, it became very clear that the SRDP were often planned within fixed resource limitations as determined by outside forces (international agencies and donor countries) and not by the Kenyan Government itself, in accordance with locally perceived priorities and needs. To make the situation worse, there were allegations that the contributions obtained from abroad were, in fact, channelled to activities that were either not replicable to other parts of the country or to schemes and projects that conflicted with locally determined priorities.⁴⁰ As far as contributions from the Kenyan Government were concerned, the concerned ministries administered the funds they allocated for the SRDP projects directly from the capital. In many cases, this procedure seems to have boiled down just to the expansion of the district level budget rather than handing over extra money to the Area Coordinator. This means, in effect, local officials were not authorised at all to control the use of the financial resources assigned for the purpose of the SRDP. Apart from these general weaknesses, it had been revealed that a good number of ministries simply diverted at will the funds as well as other resources destined to the SRDP projects to ease the financial crisis in other divisions and districts in the same way as they have done with assistance they received from donors.⁴¹

Space does not permit to go deeper into this problem. Nevertheless, it can still be concluded that the unreliable and very limited financial provision (most of it came from abroad) as well as the haphazard manner in which it was managed, seem to have contributed to the ineffectiveness of specific projects and irrevocably disturbed the ultimate aims of the SRDP as a replicable strategy of integrated rural development in Kenya. However, the financial mismanagement, though a factor in its own right, seems to be only a partial explanation. There seem to be more serious problems and issues which rendered the SRDP a short-lived exercise in rural development activity. These seemingly pessimistic assessments on the financial situation seem to be an appropriate bridge to introduce the next and last theme of the article.

THE SRDP: SUCCESSES AND FAILURES

In the discussion, so far an attempt has been made to describe and analyse the origin, the aims as well as the concrete administrative arrangements and the

³⁹IDS 1975, *op. cit.* chap. 19-27.

⁴⁰*Ibid.*, Chap. 19-13f.

⁴¹*Ibid.*, Chap. 19-29.

type of specific projects that were identified under the SRDP. In this way, a skeleton outline of the SRDP has been presented as a strategy for bringing about integrated rural development in the rural areas of Kenya. In doing so, we have also pointed out some of the organisational and financial problems which were encountered by the SRDP since its establishment in 1968 until it was officially abandoned at the end of the financial year 1975-76.⁴² Now we shall try to present an evaluation of the successes and the failure of the SRDP. The significance of this evaluation to future strategies of rural development (as exemplified by the basic needs approach) in Kenya will be given due consideration as a conclusion to the discussions as a whole.

As we have seen, a number of concrete structural innovations were introduced at various levels of the government hierarchy. These innovations seem to have brought some measure of success in the coordination and integration of policies and activities that were identified with the SRDP. Thus, at the central government level, an important organ—namely, the Ministry of Finance and Economic Planning—was given the task of overall responsibility for coordination of SRDP policies. Next to this ministry, the National Rural Development Committee (NRDC)—composed of the secretaries of the ministries of Finance and Economic Planning, Agriculture, the Treasury and other ministries who had responsibility for some kind of rural development programmes in the field—was established in 1969. Apart from giving prestige and the necessary formal attention to the SRDP as a would-be national programme in bringing the necessary structural changes into the rural periphery, the NRDC served as an appropriate forum to discuss, in an integrated and duly coordinated manner, various aspects of concrete SRDP projects and advise the concerned ministries accordingly. As discussed earlier, a 'linkman' system was created in each ministry to facilitate screening of issues pertaining to SRDP in his ministry and also to act as a catalyst in inter-ministerial cooperation on all matters of common interest. According to the IDS Report of 1975⁴³ the linkman system proved to be successful in those ministries where senior and experienced officers were appointed to this post on full-time basis.

In the field, where specific SRDP were launched, an area coordinator, who was also the administrative officer of the district, was appointed to harmonise and to integrate the SRDP projects and related activities. The area coordinator also served as a communication link between the divisional, district and provincial administrations on all matters related to SRDP projects. In order to encourage local participation in the decision making process, development committees were created at the district and the provincial levels. Additional administrative innovations, which were introduced for the purpose of efficient and effective management of the SRDP

⁴²IDS, 1975, *op. cit.*, Chap. 1-1.

⁴³*Ibid.*, Chap. 19-18 and 19-19.

included the Programming Implementation System (PIM—comprising a number of elaborate procedures and techniques, the most important of which were the Project Committee and the Field Staff Management System. These administrative designs in their entirety can be said to have introduced some basic elements of participation and routinised (rational management in rural development programmes both at the national and rural levels where actual implementation of SRDP had to take place. The positive aspects of the PIM system has been evaluated by Chambers⁴⁴ in terms of the following criteria: (a) authoritarian management, (b) wasteful meetings, (c) excessive reports, (d) departmentalism, (e) top-down targetry, (f) inadequate resources, and (g) ineffective work programming. Thus, according to him the PIM system, as a design to the administration of rural development, succeeded to reduce the dysfunctional elements implied in these criteria of evaluation. For instance, with reference to the first criterion, Chambers argues that authoritarian management could be drastically reduced since the flow of demands along the hierarchy had been reversed “so that subordinates could make demand of their superiors, putting pressure on them to provide whatever assistance they need to improve their productivity”⁴⁵ To this extent, the area coordinator acted as a sort of ‘therapist’ by encouraging his subordinates to make their views known. Authoritarian relationship was also avoided in the group meetings in which participation by officials from different departments and from different levels was fostered. It should be remembered, however, that these general as well as concrete positive evaluations of the newly introduced management tools in running the SRDP are those of the ‘architects’ of the programmes.⁴⁶

The critics of the SRDP on the other hand, were quick to point out the defects and the shortcomings of the PIM system. For instance, Morgan⁴⁷ has given an assessment of the PIM System in which he warns that in the administrative hierarchy in the provinces and in the relevant ministries at the centre, the system failed to be an effective management tool. Indeed, there are many more writers and commentators, who argue that the PIM System, as applied to the SRDP of Kenya, did not succeed as an administrative innovation. They all seem to share the view that the PIM System could not fit into the Kenyan administration. Looking at the SRDP in its totality, Leys argues⁴⁸ that the new strategy began to experience trouble just a year after its formal operation. Thus, according to him, the SRDP was characterised by confusion about objectives, excessive involvement of foreign experts, lack of support from senior civil servants and top politicians, and lack of trained field staff, among others. The combination of

⁴⁴Chambers 1974, *op. cit.*, pp. 48-54.

⁴⁵*Ibid.*, p. 49.

⁴⁶*Ibid.*, pp. 43 and 52.

⁴⁷Morgan, 1979, *op. cit.*, pp. 165-8.

⁴⁸Leys, *op. cit.*, pp. 230-1.

all these factors bogged down the smooth operation of the various projects identified with the SRDP. What is more, Leys argues, the SRDP was in fact contrary to the inherently urban-oriented development strategy which underlie the overall government development policies. In this situation, the SRDP could only be seen as off-setting the urban bias of underdevelopment. In fact, Leys sees the SRDP as a utopian wishful thinking in the sense that it saw the possibility of an orderly pattern of rural development "based on general rural equality and social cohesion, when both of these things had already been largely destroyed or being destroyed as fast as possible by other components of agricultural policy".⁴⁹ The reference here is, of course, to the big agricultural estates, cash crop plantations and other commercial farms as they have been mushrooming in the richer parts of the country since the country gained its independence. Leys further comments that, in addition to all the unfavourable circumstances and misconceived start, the position of the provincial administration, in the early stages of the SRDP, was more of an obstacle and a threat to rural development, because the primary commitment of the central government which he represented was not the development of the rural areas, but as in the colonial times, to control and check the development of the rural areas in the interest of the large farm and urban capitalist sectors.⁵⁰ In a slightly different line of critical remark, Mutiso has concluded⁵¹ that the SRDP was a failure because there was heavy reliance on foreign experts, who did not possess the temperament, the ideology and the commitment for rural development. Further, in the views of the same writer, the foreign experts—the men who were responsible for designing and developing both the SRDP and the administrative aspects of it—did not take into account what he calls the principles of local participation, adequate planning, communication facilities and technical knowledge, especially in the area of agricultural technology. Mutiso also rejects the idea that the SRDP had something to do with viable and innovative rural development schemes. He makes his point very explicitly that the various projects which were advertised as SRDP either existed as operating ministry programmes or as self-help Harambee projects. At the same time, he dismisses the idea of replicability because there was nothing that could be considered for replication. Thus, while Mutiso's views and evaluations are very negative, one has the feeling that such views seem to suggest that many other Kenyans shared similar disenchantments on how the SRDP was artificially conceived and eventually mismanaged at various levels of the Kenyan bureaucracy.

According to the IDS Evaluation Report (1975), the main causes which detracted the SRDP from its main course of action include: (a) diversion

⁴⁹Leys, *op. cit.*, p. 231.

⁵⁰*Ibid.*, pp. 231-2.

⁵¹C. Mutiso, *Kenya: Politics, Policy and Society*, Nairobi, East African Literature Bureau, 1975, pp.132-161.

of material and personnel assigned to specific SRDP projects to other ongoing activities of the regular ministries; (b) high turnover of staff in charge of SRDP in the sense of quick and untimely transfer of officials from SRDP projects to other posts; (c) many SRDP were just normal service and development activities of the concerned ministries and could have been carried out without any publicity that they were SRDP; (d) prevalence of general shortsightedness of project committees and other officials in the field and also of officials at the central government level with regard to the possible impact of the SRDP on integrated rural development as a whole; (e) lack of adequate and reliable information which was badly needed for the planning of SRDP; and (f) lack of adequate and clearly demarcated financial provisions. It should be noted that these factors merely represent, in a highly simplified fashion, an otherwise detailed diagnosis presented in the IDS Evaluation Report.⁵² All these views and evaluative statements presented above do, in fact, reveal that the SRDP was a genuine failure as a strategy for integrated rural development. At the same time, the substantive administrative and management innovations that were introduced for the purpose of the SRDP were not wholeheartedly accepted nor fully understood by the officials in the Kenyan bureaucracy, both at the centre and in the rural areas.

In addition to all this, although not explicitly discussed in the studies and evaluations which we could get access to, the fundamental factors which precipitated the failure of the SRDP as a nationally sponsored rural development strategy might in fact be attributed to the newly created socio-economic and political environment of the country. As it were, this environmental setting has been characterised by the emergence of a capitalist pattern of development. This emerging pattern necessarily entailed the formation of alliances between different interest groups embracing both national and international capitalist classes, on one hand, and the creation of rural class stratification and differentiation, on the other. The implications of this state of affairs for inequality in the rural areas has been brought to light in studies other than the evaluations and reflection that have been carried out in the context of the SRDP. Thus, as Leonard argues⁵³ in the context of extension services in Kenya, a large network of class politics operate in the country to sustain the inequality and to create a rural class appropriate to capitalist development; while the government's policy of economic growth has been in favour of the African middle-class groups which have had similar economic interests as the policy-makers themselves. As a consequence of this mutual interest, wealthy and progressive farmers have been able to get the necessary extension services at the expense of the poor peasants and subsistent farmers.

⁵²IDS, 1975, *op. cit.*, Chap. 19-29f.

⁵³D. Leonard, *Reaching the Peasant Farmer: Organization Theory and Practice in Kenya*, Chicago, The University of Chicago Press, 1977, p. 192.

In this connection it is worth noting that the class analysis advanced by Van Velzen⁵⁴ in the context of Tanzania has been accepted by Leonard because of its quality of clarifying the structure of service distribution in agricultural extension. On the other hand, however, Leonard does not endorse van Velzen's view that inequalities are created because of class affiliation between local elites and junior government staff at the rural level. For Leonard, junior government staff are mere tools of a larger system pressures which operate at the national and international levels and are manipulated by the social expectations, training policies and organisational mechanisms. Moreover, Leonard feels that distribution of resource is dictated by ethnic considerations, and in such a situation administrators play the role of political representatives in the inter-governmental struggles over the distribution of resources.⁵⁵

Lionel Cliffe on his part accuses the Kenyan leadership for its role in creating a climate for emergence of inequality in the country. As he puts it :

those who have occupied state power in Kenya have created institutions and structures appropriate to the needs of a new generation of foreign investments and in the course of it have been themselves among the foremost in breeding a greedily acquisitive party and commercial bourgeoisie.⁵⁶

Further, although formulated in the context of the East African countries as a whole, Martin Doornbos seems to have made the issue crystal clear when he states in his well-balanced and well-synthesised concluding contribution to the Essays on Political Penetration as follows:

the dominant trend in all East African countries has been one of increased bureaucratization and centralization... and in the absence or realistic conception of processes and structures from below... any concluding note on the prospects for progressive rural development in East Africa are bound to be pessimistic... The prospects in one of bureaucracy-dominated pattern of relative stagnation in which the question of strategic 'choice' is illusory.⁵⁷

⁵⁴E. Thoden van Velzen, "Staff, Kulaks and Peasants: A Study of Political Field", in L. Cliffe, J. Coleman and M. Doornbos (eds.), *Government and Rural Development: Essays in Political Penetration*, The Hague, Martinus Nijhoff, 1977, pp. 223-250.

⁵⁵Leonard, *op. cit.*, pp.192 and 256.

⁵⁶L. Cliffe, "Penetration and Rural Development in East African Context", in L. Cliffe *et al.* (eds.), *op. cit.*, pp. 42-3.

⁵⁷M. Doornbos, "Recurring Penetration Strategies in East Africa", in L. Cliffe *et al.* (eds.), *op. cit.* pp. 317-30.

We should, of course, remain as cautious as possible about these similar and other judgements with regard to any one country or group of countries in any geographical region. To be sure, the above citations seem to be sound and plausible at a higher level of generalisation, *i.e.*, in the context of the East African countries as a whole. For one thing, Doornbos's conclusions are based on the various case studies presented in *Government and Rural Development in East Africa (1977)*,⁵⁸ but they cannot be applied to the situation of the SRDP without any qualification. At any rate, general conclusions and interpretations similar to those of Doornbos and others do, in fact, unmistakably reveal some of the crucial root causes which seem to have obstructed the realisation of the SRDP.

Finally, in concluding this brief re-appraisal, a few points can be stated as a matter of reminder. The issues and problems of rural underdevelopment and rural unemployment, among other deprivations, which alarmed politicians, development advisors as well as scholars who had assembled at the Kericho Conference, thus, seem to be more in evidence in the Kenya of today than they were in the 1960s. Kenya has been placed at the lowest edge of the *middle-income countries* group in the 1981 World Development Report.⁵⁹ But there are 36 other developing countries classified in the *low-income-countries* group which are all trailing behind Kenya on the path of the development spiral as systematically worked out by World Bank officials. One can say that the Kenyan authorities might be proud on their country's lead over the 36 or so poor countries of the third world, but it is still a long way ahead to be in the group of the 18 countries classified as *industrial-market-economies*.⁶⁰ In the mean time we notice that the Kenyan Government is interested in the so-called Basic Needs Approach to solve the familiar problems of unemployment, inequality and poverty on a national scale and as an integral part of its latest development plan. Apparently the Kenyan Government seems to have been attracted by the Basic Needs Approach since the 1978 World Conference which had as its theme the Basic Needs Approach to Development. However, in the absence of earnest

⁵⁸For instance, U. Lele, *The Design of Rural Development: Lessons from Africa*, Baltimore, John Hopkins University Press, 1975, pp. 143-9; W. Oyugi, "Participation in Development Rural Planning at the Local Level", in D. Leonard (ed.), *op. cit.*, pp. 53-75; G. Alibaraho, "Issues in Administration of Integrated Rural Development in Kenya with Special Reference to the SRDP", in *African Administrative Studies*, CAFRAD, No. 17, (July 1977), pp. 132-140; C. Fuller, "The Special Rural Development Programmes in Kenya", in *Journal of Administration Overseas*, Vol. 14, pp. 148-158; J. Leach, "The Kenyan Special Rural Development Programme", in the *Journal of Administration Overseas*, Vol. 13, No. 2, pp. 358-365; I. Livingstone, "Development in Kenya: The Special Rural Development Programme Re-visited", in *Journal of Administration Overseas*, Vol. 15, p. 138; and IDS 1975, *op. cit.*, Chap. 19-4f.

⁵⁹World Bank, *World Development Report 1981*, New York, Oxford University Press, 1981, pp. 134-183.

⁶⁰*Ibid.*, pp. 134-83.

political and administrative readjustments in accordance with the demands of integrated rural development as a whole, it remains to be seen as to how far the country's honeymoon with this relatively vague and untested partial strategy can last long without repeating the gloomy episodes of the much smaller experiment of the SRDP on a much larger scale of rural development endeavours. □

An Organisational Reconnaissance of the Employment Guarantee Scheme

Samuel S. Lieberman

THE EMPLOYMENT Guarantee Scheme (EGS) is the large scale public works programme that serves as the vehicle through which the Government of Maharashtra honours a commitment, enunciated in a 1974 directive and codified in legislation passed in 1977, to provide work to needy adults living in rural areas. The EGS was first implemented on a statewide basis in 1975-76; total attendance in that year was 110 million mandays, amounting to a mean daily enrolment of 367,000. Participation averaged 167 million mandays (558,000 daily average) in the 1978-79 to 1982-83 period. In 1983-84, total labour attendance stood at 164.5 million mandays with an average of 549,000 labourers working each day at 7,639 separate EGS project sites. Since 1979, expenditures on EGS have remained unchanged in real terms at 545 million rupees (at 1970-71 prices) or thereabouts. In recent years, the EGS, which is paid for largely through special state taxes supplemented with allocations from general revenues, has claimed approximately 12 per cent of Maharashtra's development budget.*

The organisational ramifications of the EGS have received less attention than its statutory and fiscal underpinnings, partly because the state government wishes to understate, for various political reasons, the costs of administering the programme. Yet the ongoing mobilisation and management of large numbers of unskilled labourers, working in numerous, widely dispersed, and often remote locations, represent perhaps the most remarkable feature of this scheme. This article examines the apparatus set up to implement the EGS. This organisational analysis focuses on the strengths and shortcomings of the dual authority structure and the accompanying body of procedures and mechanisms through which the EGS projects are designed and implemented.

Programme Origins

The EGS was introduced in 1969 as a component of an experimental Small Farmer Development scheme which had been operating in Tasgaon taluka of Sangli district in Maharashtra since 1965. This pilot employment security scheme was administered by the village panchayat and financed,

*Figures cited were provided by the Planning Department, Government of Maharashtra.

with a matching grant from the state government, by a 25 per cent surcharge on the village land tax. The local governing body was expected to prepare plans and estimates of productive schemes which could be taken up to provide unskilled work to the unemployed in the community. Responsibility for executing individual projects rested with the village authority and its parent body, the panchayat samiti.

The planned extension of this panchayat-operated employment generation scheme to other areas of the state was disrupted by the successive failures of monsoon and unparalleled shortfalls in food, fodder, and drinking water which Maharashtra experienced between 1970 and 1973. As in previous scarcities, administrators turned to instructions and procedures, collected in the *Bombay Scarcity Manual*, pertaining to planning and implementing rural relief works. What was unusual in the 1970-73 crisis was the necessity of invoking these arrangements for a lengthy period over much of the state.

Briefly, a temporary employment-generating mechanism was established.¹ Field operations in this synthetic structure were coordinated at the district level, where a dual authority system, called a matrix in organisation theory, was set up. The Collector served as the administrator of district relief operations. He and his staff in the Revenue Department allocated projects to irrigation, agriculture, public works and other agencies, secured funds, additional staff, and equipment, and supervised spending on relief work, health and law-and-order conditions at project sites. Responsibility for the design and implementation of relief works rested with the various technical departments. Functionaries of different specialised agencies handled execution of individual projects. These field officers kept their immediate superiors informed on the status of these activities, and were also required to report (hence the dual responsibility system) to the Collector on the phasing of operations, attendance, expenditures, provision of welfare facilities, etc.

This matrix set-up afforded the benefits of technical specialisation along with the organisational flexibility and coordinated focusing of resources needed in dealing with an emergency. These advantages of a dual command structure are sometimes difficult to attain because of inherent problems in operating this sophisticated organisational design.² Matrix arrangements typically thrust individuals into unfamiliar circumstances in which they must play multiple roles. A functioning dual reporting system must maintain a precarious balance of authority and control among separate departments.

¹An illuminating analysis of the scarcity administration appears in Kuldeep Mathur and M. Bhattacharya, *Administrative Response to Emergency*, Delhi, Concept Publishing Company, 1975.

²These problems are outlined in J.R. Galbraith, "Matrix Organization Designs: How to Combine Functional and Project Forms", *Business Horizons*, Vol. 14, No. 1, 1971, pp. 29-40.

During the scarcity, there were occasions when the matrix began to erode, especially during the third year when the highest attendance figures were recorded and when many agencies experienced staffing problems.³ But, on the whole, the dual command structure performed admirably, thanks to the effective use of various coordinating mechanisms. These integrating procedures and processes included issuance of roles and instructions, field visits and inspection tours by officials, frequent contacts between members of different departments, and resourceful leadership by Revenue Department personnel.

The successful completion of relief operations brought an early decision to use the administrative framework tested in the scarcity to generate productive rural employment. In formal terms, the EGS apparatus closely resembles the relief organisation; many of the rules and regulations compiled in the *Compendium of Orders*, which serves as an EGS handbook, are modelled after provisions in the *Bombay Scarcity Manual*. The two programmes differ, however, in respect to the time perspectives of their operations. The goal of the emergency administration was to provide relief (income) through intensive operations of limited duration. In contrast, the EGS is set up as a permanent entity to deal with the enduring problem of labour underutilisation.

The decision to administer a scheme with such temporal dimensions through a dual responsibility framework involves significant risks of organisational collapse. Management theorists have found that matrix systems perform best during time-bound research and development campaigns, marketing drives, and emergency operations.⁴ Various *ad hoc* coordinating procedures and binding devices can be resorted to to overcome problems arising during such endeavours. Frustration and insecurity, due to role ambiguity, interdepartmental rivalries, and other matrix ills are likely to be intensified when the dual control structure is installed on a permanent basis. At the same time, the integrating processes in place may weaken or show signs of fatigue, requiring new control procedures to be erected. It follows that the application of matrix arrangements to problems of long-term duration depends on the eventual renovation of existing mechanisms or the evolution of new means of neutralising the corrosive tendencies in the model. The following paragraphs describe the roles and responsibilities of different participants in the EGS and discuss the adequacy of measures devised to resolve disputes and coordinate programme operations.

The Revenue Department

The EGS field activities are coordinated by the Revenue Department.

³See Mathur and Bhattacharya, *op. cit.*

⁴See Galbraith, *op. cit.*

The taluka serves as the basic unit of planning and represents the lowest level at which the dual command system operates. The duties performed by the Tehsildar include surveillance of employment trends and the need for work (usually conveyed by local leaders) in different 'pockets' within the taluka; assigning individuals requiring work to ongoing projects or to activities due to begin; and maintenance of an updated file (known as the 'Blueprint') of plans for technically feasible, labour intensive works of a productive nature for execution on an 'as-needed' basis. The Blueprint is expected to contain projects sufficient to provide employment for two years; this master plan of contingent work must differentiate between ongoing activities, projects left unfinished, new schemes ready for implementation, and proposed works which have not been evaluated and approved for eventual execution. Plans for future works are prepared by technical agencies at the request of the Collector, who has been informed by the Tehsildar that such projects may be needed. The availability of new work sites is discussed at meetings convened by the Tehsildar and attended by taluka-level officers of implementing departments and (occasionally) local political figures. The Tehsildar makes periodic field visits to supervise enrolment and mustering procedures, payment of wages, and provision of specified welfare facilities for the EGS labourers. He also transmits information on the EGS attendance and expenditure levels in the taluka.

The Tehsildar receives administrative support from a sub-divisional revenue officer (SDO), who is responsible for three or four talukas. The SDO usually conducts taluka-level meetings. In addition, he expedites requests from the Tehsildar for issuance of work orders by the Collector or immediate surveys of prospective sites. The SDO also acts as a trouble-shooter for the Collector. He may be asked, for example, to persuade uncooperative landowners to permit the EGS work to begin on their holdings or to visit projects, where protest actions over low wages, payment delays, and lack of amenities are underway.

The tasks and responsibilities retained by the Collector, assisted by a Deputy Collector (EGS) and a small EGS cell, include instructing agencies to start designated EGS works in pockets where the need for additional projects has been demonstrated; and release of funds for expenditures on the EGS to authorised disbursing officers in individual agencies. The Collector relies on reports from Tehsildars and SDOs and information from other sources, including his own inspection tours, to keep track of the EGS operations.

The Collector performs his control and supervisory functions in the EGS, either personally or through the hierarchy of field officers under his command in the Revenue Department. By virtue of the dual reporting system, the Collector is dependent on personnel from other departments, over whom he has no direct authority, when it comes to discharging his ultimate responsibility—providing gainful employment—under the EGS Act. The scope

and adequacy of the Collector's powers *vis-a-vis* executing agencies have not been (and may never be) fully delineated. The initial government order of September 20, 1974 placed the Collector 'in overall charge' of EGS activities, but required that implementing departments be consulted to establish their capacities. If any problems arose, the Collector was authorised to "move the superior authorities of the delinquent (officer) to take action".⁵

The Planning Department recognised various inadequacies in this formulation which gave Collectors much less authority than they exercised during the 1970-73 scarcity. Subsequent government directives attempted to bolster the Collector's position without impinging unnecessarily on the competence and prerogatives of the technical agencies. For instance, a 1978 order states, "as the District Collector is responsible for the implementation of the Scheme, all officers of the State Government, the Zilla Parishad, and other local authorities... shall be responsible to him. All the implementing officers at the district level shall abide by the orders of the Collector... (who) shall be competent to allot work to any implementing agency and to deploy the staff of the different departments".⁶ Planning Department officials wanted this directive to place executing agencies in a subordinate position to the Collector. A cabinet meeting decided to replace 'subordinate' by 'responsible to' in order not to alienate the technical departments.⁷

Further backing for the Collector came from a directive permitting him to assess the performance in the EGS matters of district-level officials. (The Collector was denied the authority to prepare the Confidential Review, the evaluation having the largest influence on the promotion chances of individual officers). Support has also come from a 1980 amendment to the EGS Act which gives the Divisional Commissioner (responsible for four or five districts) broad powers in the EGS matters. The Commissioner can aid the Collector in disputes when technical officers appeal to divisional officials in their own departmental hierarchies to overturn a Revenue Department order. A technical officer (with the rank of Superintending Engineer) has been assigned to Commissioner with a mandate to mediate between the Revenue Department and technical agencies.

Technical Departments

Over 70 per cent of the relief works taken up during the 1970-73 crisis were executed by the technical wing of the Zilla Parishad.⁸ The EGS projects are more equitably parcelled out to different executing departments. Table 1

⁵See Government of Maharashtra, *Employment Guarantee Scheme: A Compendium of Orders*, Bombay, Government Printer, 1981, p. 4.

⁶*Ibid.*, p. 387.

⁷This paragraph draws on interviews in 1983 with senior planning officials in the Government of Maharashtra.

⁸This information is provided in V. Subramanian, *The Parched Earth*, Bombay, Orient Longmans, 1975, p. 79.

shows labour attendance and works in progress for agencies currently or potentially implementing the EGS projects in March 1983 in Ahmednagar, a district with persistently high requirements for the EGS work. Table 1 also gives the number of staff available for assignment to the EGS and estimates of the maximum daily employment that could be provided on the EGS works. Units of the Zilla Parishad and Soil Conservation Directorate accounted for nearly half of the works in the district but provided less than a third of the jobs. Over half of the EGS employment generated in Ahmednagar was created by divisions (minor irrigation, major structures, and canals) of the Irrigation Department. The share of irrigation work rises to 63 per cent once the projects of the Zilla Parishad are included.

TABLE 1 EGS WORKS IN PROGRESS, LABOUR ATTENDANCE, AVAILABLE JUNIOR STAFF, AND DAILY POTENTIAL EMPLOYMENT BY AGENCY, AHMEDNAGAR, MARCH 1983

<i>Name of Agency</i>	<i>Number of Works in Progress</i>	<i>Labour Attendance</i>	<i>Available Junior Staff</i>	<i>Daily Employment Potential</i>
Zilla Parishad, South (Minor Irrigation)	68	5,812	31	15,500
Zilla Parishad, North (Minor Irrigation)	33	2,950	27	13,500
Zilla Parishad (Building and Communications)	56	2,543	35	10,500
Soil Conservation I, Ahmednagar	79	2,600	150	22,500
Soil Conservation II, Ahmednagar	79	4,885	107	16,050
Soil Conservation (Land Development), Ahmednagar	11	3,060	86	4,300
Soil Conservation (Land Development), Pune	1	42	45	2,250
Soil Conservation (Land Development), Nasik	1	292	33	1,650
Forestry Department, Ahmednagar	73	1,929	34	3,400
Forestry Department (Drought Prone Areas Programme)	6	187	35	3,500
Minor Irrigation (State), Ahmednagar	19	2,434	43	21,500
Minor Irrigation (State), Sangamner	16	4,516	29	16,500
Minor Irrigation (State-EGS Division), Ahmednagar	26	4,990	35	17,500
Minor Irrigation (State-EGS Division), Shrigonda	28	3,925	35	17,500

<i>Name of Agency</i>	<i>Number of Works in Progress</i>	<i>Labour Attendance</i>	<i>Available Junior Staff</i>	<i>Daily Employ- ment Potential</i>
Public Works Department, Ahmednagar	19	1,532	42	12,600
Public Works Department, Sangamner	26	3,165	24	7,200
Public Works Department, (EGS Division)	69	7,253	38	11,400
Medium Irrigation Projects, Ahmednagar	4	2,203	26	13,000
Mula Scheme Projects Division, Ahmednagar	5	513	23	12,500
Mula Modernisation Division, Ahmednagar	1	18	12	6,000
Mula Irrigation Division, Ahmednagar	18	1,113	36	18,000
Ahmednagar Irrigation Division	56	6,649	26	13,000
Ghod Irrigation Division, Pune	2	8	4	2,000
Nasik Irrigation Division, Nasik	22	5,874	12	6,000
Nandur Madhama Shawar Canal, Vaijapur	1	285	6	3,000
Upper Pravara Projects Division, Sangamner	6	885	24	12,000
Khadakwasla Project Division III, Shirur	1	71	30	15,000
Khadakwasla Project Division VII, Shrigonda	10	1,496	25	12,500
TOTAL	746	70,948	1,083	325,350

Technical agencies implement the EGS projects alongwith schemes drawn from their own 'planned' work programme. Departments are accountable for the quality of engineering designs in the EGS works, selection of materials, and for the layout and execution of tasks in the proper sequence. Individual projects are implemented by functionaries—junior engineers, agriculture assistants, foresters, and forest guards—of the concerned agencies. Work on an EGS project can begin only after a 'work order' has been issued by the Collector. Designated field officers recruit mustering assistants from nearby communities to maintain a daily roster of participating workers. Field staff identify preparatory activities, lay out the actual alignment (*i.e.*, width and camber of roads, slope and height of embankments) of the project, and assign tasks to gangs of 8-12 workers. The muster is supposed to be called twice daily. Measurements are to be made

weekly; payments based on recorded amounts of earth moved are to be made in the following week. Officers report regularly to agency superiors; detailed technical reports are submitted to departmental authorities when projects are completed. Attendance and expenditure totals are conveyed fortnightly to the Tehsildar.

There are important differences for field staff between the EGS project execution and departmental work. First, functionaries on the EGS assignment are liable to periodic inspection not only by agency supervisors but by Revenue Department officials as well as various political leaders. Secondly, the EGS work brings officers into close contact with project labourers. Field staff assigned to regular department projects are primarily engaged in assuring that contractors adhere to technical standards and an agreed-upon pace in executing works. Contractors undertake to recruit and keep the labour force at sufficient strength, to maintain discipline at the work place, and to elicit satisfactory effort levels from labourers. In the EGS, the management of the labour force is assigned to field functionaries. The maintenance of discipline and work standards can be a trying experience, especially for field staff who are not well prepared for such duties. Officers must deal on a daily basis with absentees and latecomers; frequent, unsanctioned interruptions and aimless wandering around the project site by those nominally at work; elaborate attempts to inflate measured output; and all manner of complaints and requests from labourers who have grown more knowledgeable about provisions of the EGS Act and more adept and assertive in their dealings with officials. Not infrequently, functionaries are confronted with vandalism, drunken brawling, and threats of violence to themselves. Field staff must also contend with various forms of collective action by workers including morchas, dharnas, and gheraos.

The EGS looks like a mixed blessing from the vantage point of the technical agencies. Field personnel typically complain about the huge volume of work assigned to them and the long distances they must travel between project sites. They are also unhappy about their encounters with revenue department officials and politicians. At the same time, functionaries are well aware of the lack of employment opportunities in rural areas. They accept that the remedy involves programmes along the lines of the EGS. Higher-level officials are also ambivalent about the scheme. They are unenthusiastic about the role of revenue officials and are concerned that employment objectives will overwhelm technical considerations in project selection. Yet they recognise that the EGS has been a large and reliable source of funding for their departments and has enabled a considerable expansion of technical staff.⁹

⁹For further discussion of the background characteristics, experience, and attitudes of field officers, see S.S. Lieberman, "Field Level Perspectives on the Employment Guarantee Scheme", *Public Administration and Development*, (Forthcoming).

Politicians

Political leaders played an important but subsidiary role in the scarcity administration. The Members of Legislative Assembly (MLAs), members of the Zilla Parishad, and elected officials served on district and taluka-level coordination committees. These consultative bodies acted as devices to gain public support for the government's programme, to pass along project proposals, and to solve local disputes. (Some administrators saw these committees as valuable means to keep politicians from obstructing relief operations.)

Similar mechanisms have been set up in the EGS. A committee of the Maharashtra Legislative Assembly inspects the EGS sites in different districts and reviews programme operations. District committees, headed by the minister assigned to the area and made up of MPs, MLAs, and MLCs, and taluka committees (chaired by the local MLA) monitor and evaluate local EGS activities. In his capacity as committee chairman, the MLA often forwards requests for work and project suggestions to concerned officials. These leaders are also called upon by revenue and technical officers to intercede with unruly labourers or recalcitrant landowners. Similar functions are performed by the sarpanch and other village-level politicians.

What differentiates the political involvement in the current programme from that in the relief administration is the proprietary interest in the EGS that is asserted by MLAs and other leaders. Legislators see the EGS as their own creation, a 'prestigious' scheme which they have supported, despite the misgivings of technical officers and bureaucrats in Delhi, and from which they expect political benefits. Thus, MLAs are sensitive to requests for work from their constituents and quick to claim credit for the opening of new projects.

The electoral advantages sought by politicians can interfere with the facilitative role they are expected to play in the EGS administration. Functionaries complain that field visits from MLAs too often become an occasion for 'garlanding', grandstanding, and public criticism of officials. The MLAs are regarded as inclined to endorse the demands of project labourers, thereby heightening rather than alleviating tensions at the work place. Field staff are especially wary of opposition politicians who use inspection tours to embarrass and criticise the ruling party. Functionaries must also contend with requests from village headmen and other local politicians who visit project sites more often than MLAs. These political figures attempt to change project locations, to obtain the EGS daily wage jobs for their clients, to increase the wages paid to local workers, and to have their bullock carts hired for EGS work. MLAs usually make their views known in taluka and district-level meetings or in communications to revenue or technical officials. Local politicians sometimes use cruder tactics—sending goondas to disrupt projects, inciting workers to take out a morcha or to gherao a functionary, conspiring to have staff transferred—to back up their demands.

It is not yet clear how the expanded role asserted by politicians will impinge on the delicately balanced EGS administration. The contribution of political figures as mediators is as important as ever. The EGS operations are also aided by the sense of urgency and purpose which is imparted by the aggressive stance adopted by politicians. (Politicians may shortly be called upon to act as conceptualisers, persuaders, and even as quasi-administrators as the EGS is applied to new activities.) At the same time, political leaders are disruptive elements when they stir up trouble at work sites, when they set off or exacerbate inter-departmental disputes, and when they insist that projects be opened in areas already adequately served by ongoing works.

Programme Integration

A number of binding mechanisms operate in the EGS to keep the programme's matrix arrangements from exploding. First, rules and instructions specifying task and actions are issued by the Planning Department to regulate field operations. These directives, which have been compiled in the *Compendium of Orders*, impose uniformity on programme operations in different areas; standardisation of procedures, besides saving administrative costs, provides a shield against requests for special treatment from political figures. The *Compendium* includes exhortatory statements, which serve as guiding principles for the implementation of the EGS, and directives giving detailed instructions with respect to specific matters. Subjects treated in depth include the format of plans for proposed works; amenities to be provided at work places; information to be included in reports filed with the Tehsildar; wages payable to workers undertaking different tasks; and the powers of the Collector *vis-a-vis* the technical agencies.

Often orders bearing on these and other matters represent restatements or revisions of positions taken in previous directives. For example, the welfare facilities to be made available at project sites were treated in eighteen orders issued between 1976 and 1981. In some instances, the reissuance of directives suggests that instructions are not being followed to the desired extent. The Government of Maharashtra relies on unannounced field visits to back up written instructions. Inspection tours, at frequencies specified in various government orders, are conducted by the Commissioner, the Collector, SDOs, the Deputy Collector (EGS), Tehsildars, Superintending Engineers and others in the Commissioner's EGS cell, district and divisional-level technical officers, Planning Department officials, MLAs and other non-official members of taluka committees. Such visits provide forums in which workers' grievances can be voiced; functionaries also welcome the chance to make known their problems and to defend themselves against accusations. Official visitors are required to file written inspection reports providing details about the project, evaluating mustering and payment procedures and provision of facilities, and taking note of worker complaints. Reports

frequently recommend that follow-up actions be taken, such as appointing new mustering assistants, accelerating land acquisition proceedings, transferring errant officials, or supplying additional tools.

A third instrument of coordination employed in the EGS are periodic gatherings of revenue and technical personnel. These meetings, which include sessions of the district and taluka coordination bodies as well as informal discussions, are typically convened and conducted by revenue officers with an MLA taking the chair. These occasions are needed to overcome the strains and frustrations which are an inevitable consequence of the matrix organisation. Formidable negotiating talents and other skills are required of those who oversee such gatherings if the 'purposeful conflict' in the dual authority structure is to yield fruitful results.

The performance of this integrating device falls short of the ideal in the case of the EGS. The district-level meeting tends to be too large and formalised and is held too infrequently (every six months or so) to be useful for an exchange of information or conflict resolution. Taluka-level gatherings are more promising as joint problem-solving ventures. These sessions, which are normally run by the SDO on behalf of the MLA, are structured around a pocket-by-pocket review of weather and cropping conditions, current and projected labour attendance, and the employment potential of ongoing works and those held in reserve.

The matters discussed at one such meeting, held in Shirur taluka, Pune district on September 30, 1983,¹⁰ included the condition of gravel roads, check dams, and percolation tanks (constructed through the EGS) following recent heavy rains; the progress of land acquisition proceedings under judicial review; the acceptability to local villages of an ongoing tree-planting projects; requests for project surveys to be completed in two localities with rising the EGS attendance; prospective transfers and vacancies in technical staff; and the status of malpractice cases which had been started against several technical officers. The MLA presiding at the Shirur session severely reprimanded a Deputy Engineer whose staff had evidently behaved callously towards the EGS labourers under their jurisdiction. The MLA was also critical of the inability of the Collector to process land acquisition cases which delayed execution of several projects. Taluka-level meetings sometimes degenerate into abusive scoldings by MLAs of technical (or more rarely, revenue), officials. Technical officers absorb such onslaughts meekly. Their resentment at these attacks is displayed on subsequent occasions when they (and their colleagues) remain aloof from the proceedings. At other times, more productive and purposeful discussions take place. Much depends on detailed knowledge, experience, and communications

¹⁰This meeting was attended by the SDO, the Deputy Collector (EGS), the MLA, two Zilla Parishad members, and 25 technical officers. Notes on what transpired at the meeting were made available to the author.

tions skills of the SDO who runs the meeting. For instance, a seasoned official will have learnt how to pacify (and obtain reciprocal concessions from) political leaders, how to cultivate and reward technical officers, and how to deflate the 'commandism' and arrogance which revenue authorities have a tendency to display.

Finally, role interpretation—the use of personal initiative by field workers—represents an important albeit unnoticed stabilising element in the EGS operations. The exercise of discretionary powers is necessitated by the large number of topics which do not receive detailed treatment in the *Compendium*. These uncharted dimensions relate to the day-to-day management of EGS works (especially the labour force) and the procedures to be adopted to solve various crises. It is not surprising given the complex and unpredictable circumstances at the EGS projects that the *Compendium* fails to provide instructions pertaining to various contingencies. Organisations often rely on upward referrals to supervisory officers to handle situations in which there are no fixed rules. Transportation and communication problems limit the applicability of the solution in the case of the EGS. Some field staff cannot handle the autonomy afforded by procedural reticence and by their inability to direct problem to their superiors. These officers typically abdicate their responsibilities in the face of pressures emanating from the project environment. These projects in which functionaries have not exercised confident leadership are characterised by low average wages, delays in making payments, labour unrest, and technically defective results. Others use their considerable discretionary powers to improve the quality of project implementation. The use of personal initiative to further the EGS programme goals is illustrated in the following actions: persuading landowners to release property for the EGS purposes; exploiting the gang system and using other means to maintain the tempo of work and to keep wages near target levels; purchasing needed supplies from out-of-pocket funds; and mobilising workers from nearby communities to complete time-bound operations.¹¹

AN APPRAISAL

The performance of the EGS organisation is regularly reviewed in sessions of the legislative committee and in meetings of senior administrators. These discussions, not infrequently, lead to decisions disseminated in Planning Department directives, to alter particular procedures or features of the organisation. For instance, 1982 orders stepped up the scope of surprise inspection tours and established workers' committees to assist in execution on projects with 100 or more labourers.

While agreeing to piecemeal changes, the state government has resisted suggestions for a major reorganisation of the scheme. One implicit option

¹¹For a more detailed discussion, see S. S. Lieberman, *op. cit.*

has been to operate the EGS through the Panchayati Raj structure which presently serves as the means through which the Central Government's National Rural Employment Programme (NREP) is implemented in the state. Planning officials in Maharashtra are dissatisfied with the performance of the NREP and accordingly are unlikely to return to a model for the EGS which was rejected in the early 1970s.

Another design which has been mooted involves integration of the EGS activities under the control of a single agency. This proposal would create a department of rural employment out of those sections of existing departments which specialise in the EGS work. The aim of this alternative is to reduce administrative conflict by setting up a unified staff with well-defined responsibilities working full time with undivided attention on the EGS. This proposal has been welcomed by the technical departments which would like to be free of the burdens and restrictions associated with the EGS work. This option may also be favoured by some revenue officers who are weary of the clashes which are inherent in the design of the EGS.

Planning officials expressed concern during a recent hearing on this proposal about the costs of staffing a department which would not be fully employed in most years.¹² These doubts are readily countered by pointing to the existing large numbers of clerical, technical, and administrative personnel regularly employed on the EGS who could be transferred to the new agency. Additional staff needs during a drought year could be fulfilled through temporary secondment from other agencies.

Several other, more substantial objections to this reorganisation proposal are worth mentioning. First, a unification of technical operations under one administrative roof would not eliminate the need to share management duties through a matrix structure. The EGS Act orders the Collector to provide employment to individuals whose eligibility only he and his Revenue Department staff can determine. These responsibilities cannot be shifted to technical departments which, in any case, have no special expertise in this regard. Secondly, establishing a single department commits the EGS to a fixed range of activities, namely soil conservation, irrigation, roads, and forestry, even as awareness is growing that the number of useful sites for such projects is declining rapidly. Consolidating EGS operations might interfere with the re-direction of programme attention which must occur in the next few years. Finally, a premise of the EGS approach is that employment creation is the responsibility of the whole gamut of development departments. The creation of a separate rural employment department, which would have to compete with other departments for funds, would imply (contrary to official programme ideology) that employment creation is no longer a high priority nor a widely shared concern. In effect, 'non-

¹²This discussion is recapitulated in Maharashtra Legislative Assembly, *Eighth Report on the Employment Guarantee Scheme*, Bombay, Government Printer, 1983.

Employment' departments would be allowed to move to capital-intensive methods, since employment was being looked after by another agency.*

For the time being at least, the Government of Maharashtra has decided to retain the current administrative structure.† This conclusion deserves applause in view of the proven record of the present set-up. These arrangements have enabled the programme to respond quickly to changes in the employment needs of the rural population. (This flexibility was shown during the 1982-83 drought). The EGS has also demonstrated a capacity to mobilise huge numbers of labourers over a sustained period; work has been performed on numerous, dispersed projects designed and implemented by technically qualified officers. The EGS apparatus can be credited, arguably, with overcoming the administrative deficiencies which plagued previous rural works efforts in South Asia.¹³

These achievements have been purchased at a high price, that of operating a formidable and demanding matrix structure. The EGS does not function without problems. Inspection reports and legislative committee reviews are replete with examples of project-level abuses and mismanagement. Still, the apparatus as a whole has been spared the disequilibrium to which this complex and sophisticated approach is prone. Stability has been achieved through frequent (and costly) inspection tours by a wide range of officers, through dissemination of directives, and through district and taluka-level meetings of concerned officials.

There is no warrant for expecting these integrating devices to suffice for future programme needs. As suggested earlier, the institutionalisation of a matrix arrangement (to deal with an enduring problem) may be accompanied by a build-up of tensions which eventually cannot be contained through existing coordinating mechanisms. In the case of the EGS, worrisome signs include an apparent increase in petty corruption, a more organised and militant approach by project labourers, and demands backed by threats of strikes from various associations of field functionaries. The state government has responded to these and other symptoms by stepping up the frequency of inspection tours and by turning to other control techniques. For instance, village-level functionaries have been asked to witness payments to EGS labourers; a duplicate copy of the project muster roll is also supposed to be on view near the work place. These measures aim at bringing public

*The notion of a separate department for rural works would be more palatable if the programmes of other departments were strongly employment oriented.

†"Current" refers to the organisational structure in place as of June 1984 when this astide was under preparation.

¹³These problems include absence of guidelines and procedures, insufficient participation of technical agencies, inordinate delays in approving projects, releasing funds, and paying workers, poor coordination and monitoring of activities, and frequent denial of employment to women. See D.P. Apte, "Crash Scheme for Rural Employment", *Economic and Political Weekly*, Vol. 8, No. 12, 1973, pp. 595-600.

pressure to bear on those who would tamper with attendance records.

The analysis in the preceding pages suggests other avenues which may be used to supplement or replace coordination mechanisms which may be faltering. One area of opportunity is the substantial contribution of field staff initiative in completing projects successfully. Concerted measures may enable the State Government to augment the discretionary contributions of functionaries. First, a systematic effort can be made to learn from the experiences of field officials to prepare new officers for what lies ahead. In place of current minimal training exercises, staff members could be readied for EGS work through exposure to case studies of crisis situations and ensuing decisions and actions by attending functionaries; participant observation during actual project execution; and meetings with MLAs, village leaders, labour union officials and so forth. The use of initiative needs to be encouraged once functionaries reach field assignments. Desirable steps here include the appointment of additional staff to take over the clerical, measurement, and paymaster functions currently handled by field officers; and much greater use of monetary and non-monetary incentives to recognise successful exercise of discretionary powers.

The status of field functionaries cannot be bolstered without an overall toning-up of EGS administrative arrangements. The best way to undertake this is through the taluka-level committees which have not been fully exploited as a mechanism for identifying and overcoming problems. The variation in the performance of these bodies is a source of concern. The contribution of taluka-level gatherings is too dependent on the personalities, backgrounds, and time commitments of SDOs and MLAs and on the attitudes and priorities brought to these meetings by representatives of technical agencies. Experimentation is needed to insure that those involved in these bodies participate constructively and share responsibility for decisions arrived at by these gatherings. For instance, an experienced technical officer might be asked to conduct meetings, to coordinate subsequent actions by different agencies, and to respond to the observations and requests of participating politicians. Another possibility would be to make the entire taluka committee answerable for the performance—employment created, and utilisation of works—of the EGS in the area. □

Socio-Economic Determinants of Farmer Participation in Irrigation Projects

T. K. Jayaraman

THE SUBJECT of farmer participation in irrigation projects has attracted considerable attention in the recent past. The term 'participation' has different connotations for different people. For the policy makers at the political level and the planners at the politico-administrative level, participation means, in a wider sense, sharing in by the beneficiaries in the process of setting up development goals, formulating policies and implementation of projects.¹

For actual implementors of projects, the term evokes varied response. It ranges from a feeling of suspicion about the ability of the beneficiaries to fear about consequent delay in implementation. For some of them, the term simply means asking the beneficiaries to legitimise or ratify projects formulated by the government and letting them wait for the end-results to flow from the project.² For an enlightened few in the bureaucracy, however, it means consultation from the start in regard to project design, implementation and management. The first category of 'bureaucracy' regards the hardware aspects of technology as above the 'heads' of the beneficiaries and hence, for them, participation does not go beyond minimal inputs in implementation and handover phases of the project. On the other hand, the second category of bureaucracy recognises the importance of software components, namely acceptance and support by the beneficiaries of the intended technological changes and their active association in promoting these induced changes.³ In the process, the bureaucracy re-educates itself by gathering insights into the thinking of grassroots not only in their individual but also collective capability to accomplish things.⁴ The latter

¹United Nations, *Popular Participation in Decision Making for Development*, New York, United Nations, 1975, Department of Economics and Social Affairs; and N.T. Uphoff, J.M. Cohen and A.A. Goldsmith, *Feasibility and Application of Rural Development Participation: A State-of-the Art Paper*, Ithacca, Cornell University, 1979.

²Mary R. Hollensteiner, "People Power: Community Participation in the Planning and Implementation of Human Settlements", *Philippine Studies*, 1978, pp. 5-36.

³J. P. McNerny, *The Technology of Rural Development*, World Bank Staff Working Paper No. 295, Washington (D.C.), The World Bank, 1977, pp. 9-14.

⁴E.T. Wilmot, "Rural Development Project: The Farmer and the Community as Decision Makers", *Agricultural Administration*, Vol. 4, 1977, p. 293.

is indeed valuable to the bureaucracy engaged in remote irrigation project areas when most of its members, having been brought from outside,⁵ are not familiar with project areas. The farmers' knowledge of the social environment and their skills can also be an important source of detailed information necessary for appropriate design, rehabilitation and operation of the system especially at the terminal level. Thus, the term participation would also mean mobilisation of local resources, and tapping of hitherto neglected knowledge and skills of the prospective beneficiaries.⁶

For the beneficiaries of an irrigation project, the term participation would mean consultation on and awareness of decisions made by the project management insofar as they affect their farm systems operations, sharing in implementation process and its benefits and a 'say' in evaluation. At the sustained level of operations and management of the systems, on which this article is focusing, the term would pointedly refer to active involvement of farmers in management of irrigation at all levels, including the main system, and supplementing the government's efforts and resources in the maintenance of the system as a whole through collective and voluntary maintenance of the tertiary system, the secondary and primary being the responsibility of the government. Further, it would also signify institution building by which human talent and skills can be matched optimally with technology and other inputs.⁷

However, in India, much of these interpretations and aspirations have remained only on paper and have hardly been translated into action. The reasons are not far to seek. The public sector irrigation projects in India have yet to provide a conducive atmosphere for effective participation by farmers though there have been some 'top-down' efforts in setting up institutions. The resultant effect is that there has been a great deal of hesitancy on the part of the farmers in fulfilling their participatory role drawing heavily upon their time, resources and energy which do not appear in their perception to be commensurate with the gains they have derived from the projects. Obviously, there are certain forces which determine their willingness and scope of participation. This article seeks to examine these determinants on the basis of field studies.

PROJECT BACKGROUND

The empirical field studies were conducted in the Mahi-Kadana irrigation

⁵T.K. Jayaraman, "People's Participation in the Implementation of Watershed Management Projects", *Indian Journal of Public Administration*, Vol. 26, No. 4, 1980, pp. 1006-16.

⁶Gilbert Levine and H.C. Hart, *Mobilizing Local Resources for Irrigation*, Report No. 22, New York, Agricultural Development Council, 1981.

⁷K. Takase and T. Wickham, *Irrigation Management as a Pivot of Agricultural Development in Asia*, Manila, Asian Development Bank, 1977, p. 31.

project during 1980-82 in the state of Gujarat. The Mahi river rises in the Vindhya Hills in the state of Madhya Pradesh in central India and flows through the state of Rajasthan and then traverses the middle of Gujarat from the north-east to the south-west before discharging into the Gulf of Cambay, 580 kms away from its source.

The project consisted of two phases. The first phase related to construction of a diversion weir across the river at Wanakbori in the district of Kheda whilst the second phase referred to the construction of the dam at Kadana village in district Panchmahals, 140 kms upstream of the river, and development of command area of about 220,000 hectares with 210,000 ha. on the right bank of the more or less flat terrain of Kheda and 10,000 on the left bank falling in the hilly tracts of Panchmahals. The first phase of the project was completed in 1960 and the second in 1978. The distribution system has very recently reached completion stage on the left bank but a large part of the area on the right bank has been receiving irrigation supplies for the last two decades due to the completion of the first phase of the project. The diversion weir has enabled fairly substantial irrigation in the monsoon (*kharif*) season from July to October and limited irrigation in the winter season (*rabi*) from October to March, and in hot weather from March to June, depending upon the river flow. After completion of the dam in 1978 at Kadana, year-round irrigation has become a reality bringing large additional areas under irrigation, both in winter and hot weather seasons.⁸

Command Area Development Authority

For implementation of the command area development component of projects, a high level coordination committee known as Command Area Development Authority (CADA), with the Area Development Commissioner (ADC) as Chairman, representing concerned government departments such as Public Works Department dealing with roads, Irrigation Department, Agricultural and Cooperatives Department, dealing with agricultural support services, and Revenue Department, dealing with land tenure, was set up.⁹ Besides official members (either of the rank of Secretary to Government in charge of each Department or Chief Engineers), representation was also given to the elected representatives from the project area. All directly elected members of the State Legislative Assembly in the project area (four MLAs in all), and Presidents of District Panchayats (in all two)—apex elected body in a three-tier set-up of local administration—were members of the CADA. As this body meets only once in six months, to approve the

⁸For a detailed project background, as well as agricultural development in the area, see T.K. Jayaraman, "Multiple Cropping and Crop Diversification in Mahi-Kadana Irrigation Project", *Commerce* (Annual Number: 1979), Bombay, 1979, pp. 87-94.

⁹For a full background of CADA, see T.K. Jayaraman, M.K. Lowdernilk and W. Clyma, *Command Area Development Authorities for Improved Water Management*, (Water Management Synthesis Project), Fort Collins, Colorado, Colorado State University, 1982.

budget and consider policy questions for making recommendations to government, the forum did not function as an effective two-way communication forum between farmers and the project authorities. However, the non-official representatives did bring issues of current importance affecting the farmers in regard to irrigation supplies to the attention of project management. But more effective discussion and follow-up action were facilitated by the monthly meetings of Project Level Coordination Committee, again chaired by ADC and attended by project level officials besides the District Panchayat Presidents, and Taluka (the middle tier of local administration) Panchayat Presidents. Here, at these meetings, the project level officials belonging to different departments—irrigation, agriculture and cooperatives—could more effectively communicate with the non-officials and there was a regular follow-up of the points raised as the minutes of the previous monthly meeting were to be approved in the subsequent meetings.¹⁰

Farmers' Complaints

The complaints brought at these meetings by the representatives of elected local bodies were quite pertinent to command area development. They related to canal construction work, distribution system, breaches in particular areas, closure of canals without prior notice, wrong location of outlets at the head of the bloc (normally 40 ha) of farmers' fields, low level of water supply at the canals resulting in low or no discharge at the outlets and the like. These complaints were immediately looked into and redressed and the latest position in this regard was always given in the following monthly meeting. The Panchayati leaders were quite keen to pursue these complaints as the latter gave them an opportunity to cultivate the farmers who formed an influential part of the electorate. The redressal of these grievances was assuredly effective, if the Panchayati representatives also happened to be irrigators in the area.

Limitations of Coordination Bodies

Though, in a way, the Panchayati leaders represented the irrigators' interest, there were limitations. They were mostly well-to-do farmers, having larger-sized holdings, and they belong to leading castes like Patels and Banias. These groups have been long dominating the political scene, both in the state and in the district. None of them was from the *Harijan* (scheduled caste) community. They also held official positions in the primary cooperative societies, and processing societies, which placed them far ahead of the rest of the farmers in relation to both asset holdings and access to credit

¹⁰T.K. Jayaraman, "Irrigation Project Organisation: Coordination Between Government Departments and Agencies". Paper presented at the *Economic Development Institute, World Bank and South East Asian Agricultural Research Council Sponsored Training Programme for Irrigation Personnel*, Los Banos, Philippines, March 1983.

facilities. These limitations came in the way of their truly representing the interests of all irrigators.

For officials, however, it was convenient to relate to them as it assured them opportunities of much needed political support. Through them, there was also a tendency to take the rest of the farming community for granted which contributed to restricting the contacts with the farmers only at a low level as that of canal inspectors or *chowkidar* (lowest link). The deputy engineers and above were content with having contacts with political leaders.

Perhaps for these reasons, the officials could not really get through some of the more difficult problems. For example, overdue of farmers in regard to repayment of on-farm development (OFD) costs prorated on a per hectare basis from the irrigators, signing up for new on-farm development works in the remaining command areas as the farmers were doubtful about irrigation possibilities; damage to outlets, or deliberate closure of these outlets and opening up new outlets on their own, disputes among farmers regarding irrigation supplies, thefts of water directly from the canals by putting up pump sets in the night, non-payment of irrigation dues before the new season and yet insistence on getting water and disputes with canal inspectors leading to violent scenes and the like. The Panchayati leaders at the monthly meetings usually expressed their sympathy and extended oral support but were unable to pursue them at the field for at least two reasons: (i) they did not want to fight for unpopular administrative causes and antagonise the electorate, and (ii) they were aware that they did not truly represent the irrigators' interests in all their ramifications.

Poor Performance of Systems

The resultant situation was one of chaos: uncertainty in irrigation supplies at the farm level adversely affecting the crops especially in the *rabi* season, and general scramble for water by everyone all the time and none getting adequate water at any time, lack of confidence in the irrigation bureaucracy and accusations by weaker sections of farmers against irrigation personnel of siding with the well-to-do and upper caste farmers and the like. The effects were many: (1) *Administrative*: (a) setback to timely execution of OFD works; and (b) low rate of collection of OFD dues and water charges—these were often the subject of adverse reporting by the Public Accounts Committee (PAC) of the Legislature, and intense discussion at the PAC meetings with officials and debate in the Legislative Assembly;¹¹ (2) *Economic*: low cropping intensity and poor yields of crops with low application of

¹¹T.K. Jayaraman, "The Citizen and Worker Management", *Administrative Change*, Vol. 5, No. 2, 1978.

inputs under uncertain conditions;¹² and (3) *Financial*: (a) low rate of cost recovery in terms of water charges through accumulation of overdues for irrigation supplies as well as their unwillingness to go in for irrigated crops and consequently not applying for water which is generally available in the winter for whole of the command area and upper reaches of the command area in the hot weather; (b) low farm incomes as the farmers did not go in for high-valued, water-intensive crops but just settling for drought-resistant crops with poor applications of inputs, such as maize in the *kharif* and fodder sorghum in the *rabi* seasons; and (c) deterioration of OFD works including field channels and field drains, due to poor maintenance by farmers.¹³

Better Management Initiatives

An increased awareness of inefficiencies at the farm level, wiping apparent gains out of main system improvements, such as canal lining and other physical improvements, was one of the reasons behind welcoming the initiatives of the World Bank towards better farm-level irrigation in the project. One of the chief objectives of the initiatives was to remove inequities in irrigation supplies at the farm level. Although project financing period was over in 1976 and the Project Completion Report was under preparation in 1979, the World Bank chose the Kadana Project once again for introducing a scientific version of the traditional rotational water distribution (RWD) at farm level known and practised as Warabandhi in the Northern parts of India.¹⁴ Under the improved system of RWD, which is followed in *rabi* rather than monsoon season, crop water requirements for the two main crops—wheat and tobacco—are ascertained from the nearby campus of the State Agricultural University and right amounts of water at the predetermined intervals, made known in advance to the farmers, are applied during the cropping season. Taking into account the flow of water at one cubic

¹²T.K. Jayaraman, "Determinants of Cropping Patterns in the Command of an Irrigation Project: An Empirical Investigation of Mahi-Kadana Irrigation Project", paper presented at the Agro-Asian Regional Conference of the International Commission on Irrigation and Drainage, New Delhi, October 1980, and "Consumption of Fertilisers Under Uncertainties in Irrigation", *Margin*, Vol. 14, No. 3, 1982.

¹³W. Clyma, T.K. Jayaraman, M.K. Lowdermilk and R. Nelson, *Reports on Farm Level Irrigation in Mahi-Kadana Project, Gujarat: A Diagnostic Analysis*, Vols. I & II, Fort Collins, Colorado, Colorado State University, 1983.

¹⁴A kind of rotational water distribution has been in vogue in the northern states of India for quite a long time. Under this, a farmer is provided a share of available water supply according to the number of acres owned by him. But he has no control over the timing and quantity of this water. He does not know when or how much of his total share he would receive or whether he would receive his share in any given time. Such a system of rotation not related to crop requirement raises uncertainties in water supply leading to disappointing crop yields and inefficient utilisation of irrigation potential. See for greater details, R.B. Reidinger, "Institutional Rationing of Land Water in North India: Conflict between Traditional Patterns and Modern Needs", *Economic Development and Cultural Change*, Vol. 23, No. 1, 1974, pp. 80-4.

feet per second from the outlet, per hectare water hours are worked out and each field in the outlet command area is assigned a specific day in a week. While working out irrigation schedules, the location of the farm land also influenced the time allotted for that particular land since the losses due to conveyance in the field channels are also taken care of. Thus, a farm area in the tail part of the outlet command area has more time for irrigation than the corresponding area located in the upper reaches of the outlet.¹⁵

A Pilot Project

Before introducing the RWD in 1978-79 *rabi* season as a pilot scheme in the Rawalapura sub-minor command, the CADA took sufficient care and precaution to ensure required discharge in the canals in the proposed RWD pilot area. This took the form of clearing the sub-minor of weeds and undertaking some repairs, including installation of control structures for rotating and regulating water supply at one cusec from each of the 15 outlets in the sub-minor. For ensuring the latter, the take off portion from the branch was lined and a measuring device was also fixed at the lead to keep a watch on the flow of the water in the sub-minor, so as not to fall below the desired capacity level. At the outlet level, some additional physical investments were made. These included repairs to the existing field channels and replacements of various control structures, such as division boxes, siphons and road crossings. Additionally, measuring devices were installed at each outlet head, besides initial lining.

In all, an area of 2,000 hectares for the pilot RWD in the *rabi* season of 1979-80 was planned for. The plans were discussed in meetings with the farmers in the pilot area in village groups spread over a month and the meetings were sponsored by CADA in close association with the extension wing of the local administration. The officials belonging to CADA were assigned specific villages involving the entire machinery of irrigation from *chowkidar* to the executive engineer. The irrigators were at first curiously surprised to meet the top officials gathering at villages and discussing RWD schedules and implementation procedures, and listening to their complaints in regard to canal supplies but later were convinced of their genuine desire to implement the innovative measures. It was agreed at the meetings that the irrigation schedules for each piece of land would be displayed on a board fixed at the head of the outlet and they would be overseen and observed by farmers without Irrigation Department's intervention. The farmers were encouraged to make an informal arrangement among themselves to solve disputes in the observance of the irrigation schedules and if water level was found to be lower than the optimum level indicated in red paint on the measuring device, they were advised to contact the canal inspector imme-

¹⁵V. Branscheid, *Irrigation Water Management Briefs*, Collected Papers, Rome, Investment Centre, Food and Agriculture Organisation, 1982.

diately. Further, for each outlet command area, farmers were encouraged to form an association which proceeded on the following lines: in each outlet, farmers of, say, Monday group, to whom irrigation supplies were to be made available on that day, were asked to form a sub-group with an informally elected leader. Thus in an outlet command area, there would be two to four sub-groups on an average—the maximum number being seven signifying full week irrigation schedule—and these sub-groups would have corresponding number of leaders. These sub-group leaders would form an informal committee with a commonly agreed leader to serve as the spokesman for the entire group, who was expected to keep liaison with the irrigation bureaucracy.

The farmers' readiness to cooperate with the CADA can be traced to the following factors: (i) completeness and functionality of the field channel network along with structures below the outlet; (ii) assurance of an adequate and reliable irrigation supply; (iii) candid and sufficiently early communication of the irrigation schedule and readiness to discuss and accommodate farmers' suggestions; and (iv) consideration of the farmers' grievances whenever there are short falls in the water delivery and immediate corrective action.¹⁶

The impact of the farm level irrigation improvements on the production and subsequent effects on farmers' attitudes towards participatory role are discussed in the next section dealing with the results of field studies.

RESULTS OF FIELD STUDIES

A Production Function Analysis

The impact of improved irrigation service on farm production in the pilot area was closely supervised and evaluated. Specifically, the results of RWD in the Rawalapura sub-minor were impressive. A comparison with the previous *rabi* season showed that total irrigated area increased by 13 per cent as can be seen from Table 1. A Cobb-Douglas production function

TABLE 1 AREA UNDER IRRIGATION BEFORE AND AFTER RWD

<i>Particulars</i>	<i>Before RWD (1977-78: Rabi)</i>	<i>After RWD (1978-79: Rabi)</i>	<i>Increase in Percentage</i>
Number of farmers	289	315	9
Total Area Irrigated	168	190	13
Area under cultivation of:			
Wheat	103	117	14
Tobacco	43	46	7
Vegetables	15	17	2
Others	7	10	43

¹⁶T.K. Jayaraman, "Implementation of Warabandi: A Management Approach" in K.K. Singh (ed.) *Warabandi for Irrigated Agriculture in India*, New Delhi, Central Board of Irrigation and Power, Publication No. 146, November 1980.

was fitted to the farm management survey data collected from the sample farms numbering 107 by survey method for the *rabi* season of 1978-79 and by recall method from the same farmers for the *rabi* season of 1977-78. The fitted equations estimated by means of the ordinary least square method are presented below:

1977-78 (*rabi*)

$$\log Q = 2.842 + 0.631^* \log LD + 0.107^* \log F + 0.107 \log L$$

(8.74) (6.25) (2.81) (1.46)

$R^2 = 0.942$ Degrees of freedom = 103

1978-79 (*rabi*)

$$\log Q = 2.719 + 0.799^* \log LD + 0.164^* \log F + 0.269^* \log L$$

(9.93) (3.87) (2.12) (3.26)

$R^2 = 0.896$ Degrees of freedom = 103

(Figures in parentheses denote 't' values)

*Denotes significance at 0.05 level by two tailed test.

Where,

Q = Output of wheat in kg.,

F = Fertiliser in rupees, and

LD = Land in hectares,

L = Labour in mandays.

The output elasticities, average and marginal products of land, labour and fertiliser before and after RWD are given in Table 2. It may be seen that average products of land, labour and fertilisers went up over the period. Output elasticities of land and fertiliser registered increases during this period. Since, of the three variables considered, only output elasticities of land and fertiliser were found to be significant both before and after RWD, only their marginal products are compared. While the marginal product of land substantially increased due to RWD, the marginal product of fertilisers rose only very slightly. Evaluation by means of production function analysis reveals that RWD had certainly led to an upward shift in production function and the marginal products of land and fertilisers recorded increases and contribution of labour also emerged significant.¹⁷

The pilot schemes of RWD continued for another *rabi* season of 1979-80 and a much wider area came under the RWD in the *rabi* season of 1980-81 as part of the World Bank financed scheme for about 60,000 ha in the project area under the Gujarat Second Irrigation Project (1980-1985). In the Rawalapura sub-minor command area, the gains from RWD continued to

¹⁷T.K. Jayaraman, "An Impact Survey of RWD at the Farm Level in Mahi-Kadana Irrigation Project in Gujarat State, India", *Agricultural Administration*, Vol. 8, No. 11, 1981, pp. 221-35.

TABLE 2 OUTPUT ELASTICITIES, AVERAGE AND MARGINAL PRODUCTS OF LAND, LABOUR AND FERTILISERS BEFORE AND AFTER RWD

<i>Particulars</i>	<i>Before RWD (1977-78 : Rabi)</i>	<i>After RWD (1978-79 : Rabi)</i>
Geometric Means		
Output (kg)	902.8	986.9
Land (ha)	0.3	0.3
Fertiliser (Rs.)	203.6	220.7
Labour (mandays)	25.4	21.1
Production Elasticities		
Land	0.631 ¹	0.799 ¹
Fertiliser	0.107 ¹	0.164 ¹
Labour	0.107 ⁴	0.269 ¹
Sum of Elasticities	0.738 ²	1.012 ³
Average Products		
Land (kg/ha)	2875.2	3257.3
Fertiliser (kg/Rs.)	4.4	4.4
Labour (kg/mandays)	35.5	46.7
Marginal Products		
Land (kg/ha)	1814.2 ¹	2602.6 ¹
Fertiliser (kg/Rs.)	0.5 ¹	0.7 ¹
Labour (kg/mandays)	---	12.5 ¹

¹Significant at 0.05 level.²Significantly different from Unity.³Not significantly different from Unity.⁴Not significant at 0.05 level.

be felt. The farmers were convinced that the irrigation supplies were certain and that the irrigation officials were bound to maintain the level of designed discharge at the outlet since the system above the outlet had also been ensured to provide an adequate and reliable flow during the season.

Emergence of Farmers' Initiatives

Without any effort on the part of the bureaucracy, an informal executive committee of farmers in the Rawalapura sub-minor came into existence in May 1980 after two years of RWD experiment. The main objective behind formation of the committee was to maintain the assets created for irrigation at the farm level. It should be mentioned here that the farmers in the pilot area were not specifically told that they were to pay for additional investment such as measuring devices and initial lining and repairs though they were aware that they had to pay for the earlier provision of OFD works. But deliberate silence on the part of CADA was eloquent enough to convey

the message that the expensive additional infrastructure facilities provided at the government cost would be able to give returns each year only if they were well taken care of.

The committee consisted of four irrigators and the *chowkidar*, the lowest rank official of the Irrigation Department. The functions of the committee were twofold: (i) to maintain the infrastructure below the outlet level, and (ii) to keep liaison with the Irrigation Department on behalf of all the irrigators. The committee collected subscriptions for the farmers at the rate of Rs. 5 before each agriculture season for carrying out maintenance work through hiring labour. Originally two outlets were taken up for repairs but the response from other outlets in the sub-minor was so spontaneous that the committee decided to enlarge its operation for the entire sub-minor which covered three villages. Since the time schedule for irrigating each field was fixed and made known to all the farmers in an outlet, and since the time schedule cannot be easily altered or extended, each farmer was keen to get the maximum flow in the allotted time for which the channels had to be kept in top condition. This particular anxiety made them acutely aware of the importance of their maintenance.

The frequency distribution of irrigators in the Rawalapura sub-minor by size of land holdings shows that 76 per cent of farmers were small and marginal farmers owning land up to one hectare as given in Table 3. The

TABLE 3 DISTRIBUTION OF IRRIGATORS INTO DIVISIONS AND CATEGORIES

	Size			Location			Education			
	Marginal	Small	Large	Head Reaches	Mid-dle	Tail End	No Schooling	Primary	Secondary	College
Number of Irrigators (N=279)	114 (38)	114 (38)	69 (24)	84 (28)	116 (39)	97 (33)	45 (15)	170 (57)	70 (24)	12 (4)
Area in Ha	47.30	67.88	80.18	72.66	80.81	42.29	25.69	102.88	49.43	17.36
Total: (195.36)	(24)	(35)	(41)	(37)	(41)	(22)	(13)	(53)	(25)	(9)

average size of landholding in the pilot area was 0.70 ha. As regards caste position, the Patels were 55 per cent of the irrigators followed by Rajputs and Thakurs. All the four farmers in the committee were Patels. However, the rest of the farming community felt that their interests insofar as they covered maintenance and liaison with bureaucracy were all protected by the committee. It is also worth noting that the economic interests were identical in that the average size of the holding was less than one hectare and for them access to irrigation supplies was critical for survival.

The leadership came from the traditionally landowning and self-cultivating class of Patels. Further, the leader had also a background of social and economic service in that he had been the president of the village milk cooperative society, which collected milk and transmitted it to cooperative milk processing plant at Anand, four km away. The past record of service to the village naturally helped him to assume stewardship in irrigation infrastructure maintenance and the farmers seemed to have rallied round him. As regards socially disadvantaged sections of the community, who were in the minority, no special consideration was shown. They along with the farmers had to contribute a fee of five rupees for labour charges but as the functions of the committee were minimal, there was no basic opposition from them to the initiatives displayed by the committee.

From the foregoing discussion it is apparent that certain minimum conditions need to be fulfilled before farmers come together for group action of the outlet level. These minimum conditions relate to the demonstration of reasonably adequate, predictable and controllable irrigation supplies and to the presence of a receptive bureaucracy in the CADA. With a view to assessing attitudes of the irrigators in the Rawalapura sub-minor toward a formal type of function with more complex functions, such as processing of irrigation applications at the start of each season and collection of water charges on behalf of government, an attitude survey was conducted. There was a 97 per cent (297 farmers) response from the farms in the sub-minor area; the remaining 3 per cent (8 farmers) were away from their homes on the day of interview.

A Survey of Attitudes to Organisations

The irrigators were classified in three divisions with reference to: (a) *Size of the farms*—marginal (land holding below one ha), small (land holding above one ha and up to two ha), and large (land holding above two ha); (b) *Location*—upper reaches of the field channel from the outlet, middle portion and the tail part; and (c) *Educational background*—no schooling, primary, high school, and college. The distribution of 297 farmers into different categories is given in Table 3. The irrigators were mostly marginal and small farmers, forming 76 per cent of the total sample. In terms of educational background, 15 per cent of farmers had no schooling, whereas a major part of them (57 per cent) had only primary education; farmers with secondary education comprised 23 per cent and farmers with higher education formed a negligible proportion (4 per cent).

The attitudes of the farmers can be grouped into the following four categories: (i) pre-conditions for formation of irrigators associations; (ii) types of organisation—formal or informal; (iii) resources of organisation; and (iv) involvement of non-irrigators. Nine statements prepared for these categories were included in a non-disguised and structural questionnaire. The statements were graded on a simple Likert scale ranging

from 'agree', and 'do not know' to 'disagree' instead of a conventional five-point scale, since most of the irrigators were unable to distinguish between the two views 'strongly agree' and 'agree' in a pilot test of the questionnaire.

To reflect the facilitating pre-conditions, the irrigators were asked about their perception of the working of RWD and their ability to self-regulate the schedules and the need for organisation. Ninetysix per cent of the farmers expressed satisfaction, 79 per cent felt confident about the ability to self-regulate and 71 per cent agreed that there was a need for an organisation. The weighted mean was higher than the simple arithmetic mean and was found to be statistically significant by the two-tailed 't' test, the level of significance chosen being 5 per cent (see Table 4 below). Thus, the

TABLE 4 ATTITUDES OF IRRIGATORS IN RAWALAPURA SUB-MINOR (N=297)
(Percentage of total in parentheses)

<i>Statements</i>	<i>Agree</i>	<i>Do not know</i>	<i>Disagree</i>	<i>Weighted Mean</i>	<i>'t' Statistic</i>
<i>Pre-Conditions</i>					
1. RWD is working satisfactorily	284 (95)	5 (2)	8 (3)	2.929	46.23*
2. Irrigators are able to self-regulate the observations of RWD schedule	235 (79)	3 (1)	59 (20)	2.592	12.748*
3. It is desirable to have an irrigators' organisation	211 (71)	14 (5)	72 (20)	2.468	9.399*
<i>Type of Organisation</i>					
1. The organisation should be formal	66 (31)	4 (2)	141 (67)	1.168	—16.33*
2. The present system of outlet committees and sub-groups is satisfactory	161 (54)	34 (12)	102 (34)	2.198	3.704*
<i>Resources for Organisations</i>					
1. Existing rates can be raised by a certain per cent and the incremental proceeds can be handed to committees for maintenance of OFD works	164 (55)	14 (5)	119 (40)	2.152	2.712
2. The outlet committee can collect fees from members for maintenance	210 (71)	15 (4)	72 (25)	2.465	9.343*
<i>Involvement of Non-Irrigators</i>					
1. It is desirable to associate village leaders although they may not be irrigators	144 (49)	24 (8)	129 (43)	2.051	0.916
2. It is desirable to associate panchayat with irrigators' organisation	65 (22)	37 (12)	195 (66)	1.562	—9.114*

*Significant at 0.05 level.

knoll hypotheses that the irrigators were indifferent to RWD, to their ability to self-regulate and to the need for an organisation are rejected. It can, thus, be safely concluded that the area could be considered to be ready for organisational efforts to involve the farmers in irrigation management at the outlet level.

As regards type of organisation, of the 211 farmers who desired for an organisation, two-thirds rejected a formally structured organisation, which is statistically significant. Ninetytwo per cent of 211 irrigators preferred the present informal organisation.

While the irrigators positively responded to the raising of resources for the organisation, there was some disagreement about the manner of mobilising resources. Forty per cent disagreed with the suggestion to increase irrigation rates and earmark incremental proceeds for the committees whereas 70 per cent of the farmers reacted favourably to the current procedure of collecting fees from the members. Thus, it is obvious that farmers prefer their own mode of raising resources to governmental efforts through increasing irrigation fees.

On involvement of outsiders other than irrigators, the respondents were more or less equally divided. The knoll hypothesis that they were indifferent to this specific idea cannot be rejected since the *t* statistic was not found significant. However, they clearly rejected the idea of associating *panchayati* bodies with irrigators' organisations as evidenced by *t* test of significance.

Functions of Organisation

Six possible functions of the irrigators' organisations were suggested to the respondents for ranking them in order of importance:

1. Solving disputes among the irrigators,
2. Liaison with the irrigation department on behalf of irrigators,
3. Observance of the RWD schedules,
4. Maintenance of field channels and structures,
5. Collection of charges and processing the applications from farmers on behalf of the irrigation department, and
6. Extension in water management.

These ranks were analysed by major division. For example, the ranks assigned by marginal, small and large farmers and their frequencies are presented in Tables 5 to 7. For each function, aggregate scores have been computed by multiplying frequencies of farmers occurring in that rank with the score of that rank—the first rank having 6 marks, the second 5 and so on. The final rank is given to each function by ranking aggregate scores. Thus, the marginal farmers gave first rank to observance of RWD schedules, the second to the maintenance of field channels, third to

TABLE 5 RANKING OF FUNCTIONS OF IRRIGATORS' ORGANISATIONS:
MARGINAL FARMERS

Sl. No.	Functions of Irrigators' Organisation	Frequencies of Irrigators in the Rank Assigned						Agg- regate Score	Final Rank
		1	2	3	4	5	6		
1	Solving Disputes Among Irrigators	10	12	24	37	16	15	374	4
2	Liaison with Irrigation Department on behalf of Farmers	11	15	36	18	23	11	376	3
3	Observance of RWD Schedules	31	53	13	11	6	0	554	1
4	Maintenance of field Channels and Structures	48	22	14	15	12	3	526	2
5	Collection of Irrigation Charges and Processing of Applications of Irrigators on behalf of the Irrigation Department	0	3	9	14	39	49	220	6
6	Extension in Irrigation Management	14	9	18	19	18	36	330	5

TABLE 6 RANKING OF FUNCTIONS OF IRRIGATORS' ORGANISATION:
SMALL FARMERS

Sl. No.	Functions of Irrigators' Organisation	Frequencies of Irrigators in the Rank Assigned						Agg- regate Score	Final Rank
		1	2	3	4	5	6		
1	Solving Disputes Among Irrigators	6	7	19	43	18	21	333	4
2	Liaison with Irrigation Department on behalf of Farmers	10	16	36	23	20	9	402	3
3	Observance of RWD Schedules	29	56	20	8	1	0	560	1
4	Maintenance of Field Channels and Structures	54	17	19	15	7	2	546	2
5	Collection of Irrigation Charges and Processing of Applications of Irrigators on behalf of the Irrigation Department	11	6	7	8	43	39	273	5
6	Extension in Irrigation Management	4	12	13	17	25	43	280	6

TABLE 7 RANKING OF FUNCTIONS OF IRRIGATORS' ORGANISATIONS:
LARGE FARMERS

Sl. No.	Functions of Irrigators' Organisation	Frequencies of Irrigators in the Rank Assigned						Agg- regate Score	Final Rank
		1	2	3	4	5	6		
1	Solving Disputes Among Irrigators	6	8	12	19	10	14	215	4
2	Liaison with Irrigation Department on behalf of Farmers	11	9	26	12	9	2	271	3
3	Observance of RWD Schedules	12	32	12	8	4	1	313	2
4	Maintenance of Field Channels and Structures	27	12	14	9	5	2	317	1
5	Collection of Irrigation Charges and Processing of Applications of Irrigators on behalf of the Irrigation Department	6	4	3	4	32	20	164	6
6	Extension in Irrigation Management	7	4	2	17	9	30	169	5

liaison work, fourth to the resolution of disputes, fifth to extension, and sixth to collection of water charges on behalf of government. The large farmers also followed the same pattern but the small farmers gave slight variation in ranking with respect to collection of water charges and extension in water management.

Similar exercises were undertaken for the three categories of farmers by physical location and four categories by educational background. For want of space, the Tables are not reproduced here but a summary of their rankings is given in Table 8.

To determine whether the ranks assigned by three categories of irrigators with regard to size and location, and by four categories with regard to educational background, differ considerably among themselves, Kendall's Coefficients of Concordance were also calculated. The values of the coefficients were high for all the three major divisions. The maximum value of unity was recorded for the second major division—physical location—as there was virtually no difference between the three categories in their ranking of functions. It is obvious that farmers assigned a high priority to maintenance of field channels, regulation of RWD schedules and solving of disputes and low priority to the collection of irrigation charges and extension in water management.

A Discriminant Function Analysis

Utilising the same survey data and incorporating three more variables—namely, age of the farmer, to assess his mental maturity, his personal satisfaction or otherwise, and ability to self-regulate—a discriminant func-

TABLE 8 CATEGORYWISE SUMMARY OF RANKING FUNCTIONS OF IRRIGATORS' ORGANISATION

Sl. No.	Category of Irrigators	Ranking of Functions of Irrigators' Organisation					Kendall's Coefficient of Concordance
		Solving Dispute Among Farmers	Liaison with Irrigation Department	Observance of RWD Schedule	Maintenance of Field Channels and Structures	Collection of Water Charges and Processing of Application	
1	Size :						
	(a) Marginal	4	3	1	2	6	0.947
	(b) Small	4	3	1	2	5	
	(c) Large	4	3	2	1	6	
2	Location :						
	(a) Head Reaches	4	3	1	2	6	1.000
	(b) Middle	4	3	1	2	6	
	(c) Tail-end	4	3	1	2	6	
3	Education :						
	(a) No Schooling	3	4	1	2	6	0.696
	(b) Primary	4	3	1	2	6	
	(c) Secondary	4	3	2	1	6	
	(d) College	3.5	3.5	1.5	5	6	

tion analysis was conducted. In all, there were seven variables and 216 farmers (out of 305 farmers) about whom full information on all variables was available. Out of 216 irrigators, 170 preferred to form an organisation and 46 expressed themselves against forming any organisation. The attitude towards organisation, either for or against, is the dichotomy separating the two groups distinctly from each other.

The linear discriminant function of the following form is employed to discriminate the socio-economic characteristics of the two groups of farmers:

$$Z = \sum_{R=1}^n A_R X_R$$

where,

Z = Total discriminant score for the irrigator who is for an association and for the irrigator who is against such an association.

- X_1 = Size of holding in hectares.
 X_2 = Age in years.
 X_3 = 0, if the irrigator is illiterate.
 1, if the irrigator has attended primary school.
 2, if the irrigator has attended secondary school, or
 3, if the irrigator has attended college.
 X_4 = 0, if the irrigator is located at the tail-end.
 1, if the irrigator is located at the middle, or
 2, if the irrigator is located at the upper reaches.
 X_5 = 0, if the irrigator is not satisfied with RWD, or
 1, if the irrigator is satisfied with RWD.
 X_6 = 0, if the irrigator is not prepared to self-regulate, or
 1, if the irrigator is prepared to self-regulate, and
 X_7 = 0, if the irrigator feels that his right to water would not be
 protected, or
 1, if the irrigator feels that his right to water would be protected.

Before the entire set of variables was entered into an analysis, test of difference between the sample means was conducted. Table 9 presents the means and standard deviations of the independent variables for two groups of irrigators. The statistical *t* tests for determining difference between the two groups' means for each variable were conducted. The tests show absence of any significance between two groups means as regards four variables namely, land holding, age, education and protection of rights. But in regard to three variables, namely location, satisfaction with RWD and ability to self-regulate there is a high degree of statistical significance between

TABLE 9 MEANS AND STANDARD DEVIATIONS OF VARIABLES:
COMPARISON OF TWO GROUPS

Variables	Irrigators in Favour of Organisation (n=170)		Irrigators Against Organisation (n=46)		't' Statistic
	Mean	Standard Deviation	Mean	Standard Deviation	
Area (ha)	0.59	0.63	0.56	0.51	0.1127
Age (years)	48.69	13.96	48.11	12.78	0.0716
Education	1.18	0.71	1.17	0.71	0.0072
Location	1.04	0.79	0.80	0.69	4.1081*
Satisfaction with RWD	0.96	0.19	0.85	0.36	3.9934*
Ability to Self-Regulate	0.88	0.32	0.48	0.51	25.5726*
Protection of Rights	0.93	0.26	0.87	0.34	1.2368

*Significant at 0.05 level.

two groups' means. Thus, on the basis of the above analysis, one can conclude that if an irrigator is favourably located in the outlet command, given other things, is more likely to be in favour of an organisation as contrasted with the irrigator located at the tail-end. Similarly, satisfaction with RWD and self-reliance for regulating the supplies are also significant factors influencing the formation of an organisation.

When the entire set of seven variables is entered into an analysis, without rejecting any of them for measuring the characteristics on which groups are expected to differ, the discriminant analysis is resorted to. Table 10 presents the results reporting the values of discriminant weights for the seven variables. The tests of significance, both *F* ratio and the Bartlett's *Chi*-square test show that the function determined by all the seven variables is statistically significant. Hence, the null hypothesis of equality of group centroids (means) is rejected. Table 11 presents the means of two groups' discriminant scores. The cut off point for discriminating between the two groups of irrigators, one for and the other against organisation is arrived at by taking the simple mean of two groups' mean discriminant score. On the basis of the cut-off point, the predicted classification of the irrigators as

TABLE 10 RESULTS OF DISCRIMINANT ANALYSIS

<i>Variables</i>	<i>Discriminant Weights</i>	
Area	0.0118	
Age	-0.0001	
Education	-0.0058	
Location	0.0265	
Level of Satisfaction with RWD	0.0163	
Ability to Self-regulate	0.1830	
Protection of Rights	-0.0440	
Mahalanobis' D^2	=1.3557	Bartlett's Chi Square Test =43.4655
<i>F</i> (7,208)	=6.8150	(Degrees of Freedom : 7)

TABLE 11 DISCRIMINANT SCORE MEANS AND CUT-OFF POINT

<i>Group</i>	<i>Sample Size</i>	<i>Mean</i>
For Organisation	170	0.1586
Against Organisation	46	0.0796
$0.1586 + 0.0796$		
Cut-off Point : = $\frac{\quad}{2}$		
=0.1191		

TABLE 12 CLASSIFICATION MATRIX OF IRRIGATORS

<i>Actual</i>	<i>Predicted by Function</i>		<i>Total</i>
	<i>For Organisa- tion</i>	<i>Against Organisa- tion</i>	
For Organisation	151	19	170
Against Organisation	22	24	46
TOTAL	173	43	216

against the actual classification into two groups is shown in Table 12. It is of interest to note that the classification matrix suggests that $(151 + 24)/216$ of 81 per cent of the sample is correctly classified. Hence, the separation effected by the discriminant function is fairly satisfactory from the practical point of view as well.¹⁸

CONCLUSIONS

The foregoing discussion of the results of field studies in the Mahi-Kadana irrigation project in Gujarat State clearly indicates that there is room for group action if only the shortages of a valuable natural resource are reasonably within the realm of controllability under conditions of assuredness. It is well known that in the case of a consumption good, whether private or public, being a free good because of its infinitely plentiful nature, no scarcity relative to demand is experienced and hence there is no need for any group action by consumers. On the other hand, if the supply of a consumption good, whether private or public, is extremely short in relation to demand, group action by consumers in its distribution becomes a frustrating effort and often fails. Severity in shortage determines the degree of success or failure of group action.

Only if the shortages are reasonably manageable, without causing frustration, and in the process, no theft or hoarding is possible, equitable distribution with regard to the need and ability to pay for is possible. Irrigation supplies in a public sector project are no exception to this general rule. As long as the shortages are reasonably managed and the irrigators are convinced of the sincerity and efficiency of these efforts of

¹⁸T. K. Jayaraman, "Factors Influencing the Irrigators Organisation in India: A Discriminant Function Analysis", *International Journal of Water Resources Development*, Vol. 1, No. 3, 1983.

the project management, there appears to be a reasonable scope for group action.

The management efforts would refer to discharging of five essential management tasks: (i) keeping the distribution network in good condition, (ii) intensive operation and maintenance of infrastructure, (iii) careful planning of cropping patterns and schedule of irrigation, (iv) care in the allocation and scheduling of water both among and within the systems, and (v) equitable distribution of available water to all sections of the irrigation community.¹⁹

The sincerity and efficiency of the management efforts are indicated by the degree of professionalisation of management tasks themselves. As discussed elsewhere, presently in India, these tasks are labelled as operation and maintenance (O&M) which simply indicate the dull and dreary nature of the chores often performed by those of the irrigation department, who consider themselves less fortunate than their brethren in the construction and design (C&D) wing and look forward to the days when they could move out to that wing.²⁰ The apparent lack of pride and self-esteem stems forth from the absence of a professionalist approach to irrigation management tasks with a concern for the client's interest as well as a commitment to the discharge of specialised functions. Efforts are underway to elevate the status of the O&M personnel to the same rank as that of C&D wing with as many promotional opportunities and privileges as available to the latter and to provide further multi-disciplinary skills to all, civil engineers and agricultural personnel of the CADA in specially set up irrigation management training centres.

The participatory role by the farmers can be facilitated only when better management practices are adopted by project authorities. The field studies conducted in the Mahi-Kadana irrigation project, located right in the heart of the Kheda district, which is well known for the legendary AMUL milk cooperatives,²¹ integrated cotton processing societies and farmers' active role, show that unless there is technical efficiency in irrigation projects as reflected in the ultimate user satisfaction at the farm level, irrigators will not come forward to assume any participatory role.

Thus, it may be concluded that if an appropriate institutional setting provided by the experience of local self-government agencies and presence of an economic and social environment developed by the cooperative

¹⁹D.W. Bromley, D.C. Taylor and A. Parker, "Water Reforms and Economic Development: Institutional Aspect of Water Management in the Developing Countries", *Economic Development and Cultural Change*, Vol. 28, No. 2, 1980, p. 366.

²⁰T.K. Jayaraman, "Attitudes of the Irrigation Bureaucracy in India to Scientific Water Management Tasks in Irrigated Agriculture", *Zeitschrift für Ausländische Landwirtschaft*, Vol. 20, No. 3, 1981, pp. 279-92.

²¹A.H. Somjee and G. Somjee, "Cooperative Dairying and the Profiles of Social Change in India", *Economic Development and Cultural Change*, Vol. 26, No. 3, 1978, pp. 572-90.

processing societies and structures is a necessary condition for farmer participation, the sufficient condition for such participation at the farm level of irrigation is water user's satisfaction. Specifically, the socio-economic determinants of community responses to irrigation in the Indian public sector irrigation projects can be summarised in the following conclusions that emerge from the field studies:

1. Certainties in irrigation supplied from the gated turnouts would be chiefly responsible for group-action among the farmers.
2. The relative egalitarian structure of the community as indicated by the land-holding size and the commonly shared interest in access to equitable and efficient water supplies are also significant factors.
3. Leadership has to come from the tested hands in the community in whom there is trust and confidence. Such a person or a group of persons acting as a chairman or a steering committee has to prove his or their worth by past performance or by present occupation as a local self-government leader or a chairman of a cooperative society.
4. The leader should also be an irrigator and share the same egalitarian structure and interests alongwith other irrigators, only such a combination would convince the weaker sections of the community of the bonafides of the initiatives displayed.
5. Form of organisation should be simple and informal with a small membership at the steering committee level; being simple it covers the entire sub-minor though a canal went through the villages. Thus, a simple and an informal committee can effectively be canal-based rather than village-based.
6. Functions should remain uncomplicated and minimal, such as maintenance of OFD works and liaison with the irrigation bureaucracy.
7. More complex functions—such as collection of application forms for irrigations, and collection of water charges on behalf of irrigation department as transferred functions and water management extension — would lead to a complex form of organisation to be backed with legal power. In the generally faction-ridden village societies, complicated functions with financial responsibilities create acute problems of accountability and financial propriety. In the nascent stages of farmer participation in irrigation projects in India, simple and informal organisations with minimal functions are likely to last longer than complex organisational structures. □

Issues in Managing Replication in Development Programmes

Ashok Subramanian

SEVERAL LARGE scale public programmes have been implemented by the government in the country during the last 30 years. The design of these programmes has involved some basic tasks for its managers. They are: (1) Gaining *policy support* from the political and bureaucratic leadership. Under this, the decision-making group is required to consider the programme and to elicit support for it once initiated. (2) Developing *strategies* for programme formulation and implementation. Under this, specific components of the programme have to be identified and plans drawn up. (3) Finding *resources*. Under this, funds and personnel of a size and type, in line with the strategies, have to be raised and planned for. (4) Identifying or developing an *organisational structure* for the programme to be executed. The presence or absence of political and bureaucratic will; adequacy or scarcity of public or private resources; evolution or application of criteria for resource allocation; development of new technical and managerial capabilities; adequacy or otherwise of existing organisational forms, such as the development bureaucracy—are some of the critical considerations in planning for the tasks.

There is yet another aspect to the design. Many of the development programmes of the last 30 years have grown from pilot projects or trials and experiments either in the public (governmental) or private (non-governmental) sectors. A few Community Development Blocks were first tried out soon after independence before the decision was taken to set up block development offices throughout the country—one for every 100 villages and a population unit of 60,000 to 70,000. The Etawah experiments in community development are well known. The Small Farmers' Development Agency was initiated in a few districts in 1971 and later expanded to 43 districts by 1973. As its name suggests, the Pilot Intensive Rural Employment Project of the early seventies was implemented with the objective of providing insights into patterns of employment. This helped in planning the Food for Work Programme of 1977-78. More recently, the Integrated Rural Development Programme was formulated on the basis of the cumulative experience of anti-poverty programmes and field trials in the late 1970s. In the social services, the Community Health Volunteer Scheme of 1978 was adapted from the experiences of several projects of

voluntary health agencies, some of which gained considerable attention in the seventies. The scheme was tried out first in selected Primary Health Centres and then extended to others the following year. The National Adult Education Programme of 1978 explicitly stated that its first year was one of trial and experimentation, before it assumed large scale proportions in 1979¹. In addition, there are other public programmes (such as the Operation Flood for dairy development) which have evolved on the basis of models (such as Amul) demonstrated in the field.

The primary *rationale* for replication lies in the urgency for remedying the situation in which large sections of the country's population remain either without access to public services or unable to use them². At the same time, the *hope* for successful replication stems from the fact that some of the basic infrastructural facilities, such as the block development offices, primary and secondary schools, primary health centres and panchayats are available—even if in an unsatisfactory condition in some places—across the country. Moreover, there is a limb of almost every developmental agency of the government in a district. Therefore, the need for a quick extension and the availability of an institutional base for such extension encourage development agencies to attempt programmes of replication, thus taking a great leap forward. The *objective* is clear: to meet the needs of and provide services to a larger population of intended beneficiaries in as short a time as possible.

While questions regarding policy support, strategies, resources and organisation are significant for all large-scale programmes, replication or the movement from a small-scale project—referred to as 'Project' hereafter—to a large scale programme—referred to as 'Programme' hereafter—raises in its wake, a critical poser regarding the transfer of learnings from one to the other and hence, the management strategies related to the transfer. The management of the transfer of experience from the project to the programme is at the core of the process of replication.

The Focus

Replication involves the extension of an initial experience. Such extension is attempted through the multiplication of the pilot project. Expanding the reach of the project in the same place where it is located is referred to as scaling up. Replication is the multiplication of the project in another place or in other places.³

¹Government of India, Directorate of Adult Education, *Training of Adult Education Functionaries—A Handbook*, Ministry of Education and Social Welfare, New Delhi, Government of India, 1978, p.5.

²Government of India, Planning Commission, *The Sixth Five Year Plan*, New Delhi, Government of India, 1980.

³B.S. Yaser, "Replication and Scaling Up Criteria in Project Design", in D. Miller (ed.), *Studies on Rural Development*, Paris, Development Centre of the Organisation for Economic Cooperation and Development, Vol. I, 1980, pp.108-143.

Such an expansion implies a significant increase in the size or scale of the initial project in terms of the territorial or population coverage and volume of activities and hence a substantial change in the quality and quantity of financial, organisational and human resources required. More importantly, it implies the transfer of experience from a project in a given context to a programme implemented in varying contexts. The implicit understanding is that the project has evolved a *model*, a prototype, whose multiplication can then be rapidly planned for across a wide geographical area.

Public programmes in development may be launched directly on the basis of the model project implemented by private, non-governmental agencies or the public system itself. Sometimes, a two-step process, by which the lessons learnt from the project of a non-governmental agency are first tried out in the public system before going in for a large scale replication, is also attempted.

The duplication of a prototype is a familiar process in the field of engineering. Many manufacturers make the part or equipment on the basis of a model. Similarly, in agriculture, one is familiar with the process by which a new variety of seed or type of fertiliser is experimented within the laboratory, tried out in the field and later extended to farms all over the country. While these efforts at extending physical or material technology, resource or infrastructure do require experimentation and adaptation, it is the programmes attempting to extend social and economic services that will have to pay much greater attention to the complexities of replication. This is because, local social institutions, conditions and processes greatly influence the use of the programme services and these usually vary considerably from area to area and region to region. Similarly, implementing structures and personnel in the programme are likely to differ considerably from those in the project. Thus, the fact of a project being successful does not ensure the success of a programme. It might, therefore, be useful to take a closer look at the process of replication so as to aid its management.

The movement from a project to a programme has not attracted much attention from researchers. While the literature on project evaluation refers to it⁴, there has been, as far as we know, limited analysis of the process of replication in the context of programme management, as a means of helping the formulation of strategy. Yaser⁵, in her review of the problem of replication and scaling up in the design of projects, with focus on those funded by external aid agencies, notes that *ex post* evaluations have pointed

⁴See, H. Rossi and W. Williams, *Evaluating Social Programmes—Theory, Practice and Politics*, New York, Seminar Press, 1972; E.J. Mullen, J.R. Dumpson *et al*, *Evaluation of Social Intervention*, San Francisco, Jossey Bass, 1972; and W. Reicken and R.F. Boruch (eds.), *Social Experimentation—A Method for Planning and Evaluating Social Intervention*, New York, Academic Press, 1974, p. 144.

⁵Yaser, *op. cit.*

to the need for better *ex ante* appraisals. Criteria of replicability can then be explicitly included as an item of study in the appraisal. She lists a number of hypotheses why "foreign assistance projects" are not replicated and suggests a set of tests to study them. Pyle⁶, in his discussion of problems of expanding projects into programmes on the basis of experiences in the health sector in India, emphasises the significance of processes underlying a strategy's potential for effectiveness. He calls for an analysis of "organisational and political structures within which the expanded effort will be implemented" to review the compatibility between strategy and structure. Paul's review⁷ of six public development programmes suggests the importance of local adaptations of the project, given the variety of situations in a programme and the need for formalisation of certain informal processes that mark the project. The stress on social processes, which build people's capabilities, leads Matthai to distinguish between replicability and extensibility—the former being the notion of a change-agent creating circumstances in a planned way, as in social engineering, and the latter exemplifying "people-helping-people values" by which each one who benefits from the service extends his knowledge and skill to the other. Matthai stresses the need for the 'extensible' processes in development.⁸

Constraining Features of Projects

The central concerns that emerge seem to relate to: (1) the context of replication, and (2) its content. Before we discuss these central concerns, it might be useful to briefly review the specific features in a project which do not easily lend themselves to replication through a programme. *Firstly*, the project may not have been intended to be a model. It may have come about in response to particular needs and problems and it may be the case that it did not start with replication in mind. Thus, it may not have been originally conceived of as a model, but posterity may have thrust upon it such greatness. For instance, in the case of Amul, the development of dairy cooperatives was a response to the problem of milk producers in Kaira district. However, once its potentiality became evident, a national programme, Operation Flood I, was launched to replicate its effort.⁹

Secondly, the size of operations in a project may not pose threats to social, economic or political interests. A programme may involve such

⁶D. Pyle, *Nutrition Interventions—Problems Associated with Expanding Pilot/Demonstration Projects into National Level Programmes*, Massachusetts Institute of Technology, 1981, (mimeo).

⁷S. Paul, *Managing Development Programmes—The Lessons of Success*, Boulder, Westview Press, 1982.

⁸R.J. Matthai (n.d.), *Experiments in Educational Innovation of Rural University, Jawaja Project, First Phase, August 1975—April 1977*, Ahmedabad, Indian Institute of Management, pp. 124-25 and 127.

⁹Paul, *op. cit.*

threats and challenges. For instance, the grassroot village health worker was accepted as a breakthrough when voluntary agencies demonstrated her effectiveness. When the Community Health Volunteer became a part of the health programme, the earlier tolerant or muted interest of the medical professionals turned into snowballing criticism.¹⁰ Some of the states did not accept the scheme partly due to pressure from professionals. In other words, what is supported or overlooked at a micro level may not be so acceptable to various interest groups when extended to the larger system.¹¹

Thirdly, the project is likely to provide the necessary flexibility for changes if the local environment or beneficiary needs demand such changes over time. A programme, especially if undertaken by the government, is apt to attempt standardisation of policies, procedures and processes, thus considerably affecting the flexibility of the managers at the local level in the programme.

The fourth feature is the informal and personalised process that is more likely to characterise the project due to its size. Informal communication among its staff, rather than elaborate and formal systems of information, may be used for monitoring and problem solving. The rigidities of a programme may not easily permit such processes and it may well be necessary to think of innovative structures or appropriate means of performing the same functions.

Over and above these four attributes, there may be others unique to a project experience. It is often felt that in the micro project:

1. Resources used are out of proportion to the activities. External donor agencies or even the government may pump in more money than will be available for the programme. The justification, however, may be that a variety of experimental strategies have to be tried out in a project so that the 'best' ones can be discovered. Korten¹² refers to this as the process of learning to be effective.
2. Commitment of a high order is present. Either a noble cause or a charismatic leader invokes commitment for a project among its personnel. This is often a feature of voluntary agency efforts, referred to as the halo-and-hero image of voluntary agencies.¹³

The project may be further constrained by an externality, such as

¹⁰Pyle, *op. cit.*

¹¹H. Sethi, "Alternative Development Strategies—A Look at Some Micro Projects", *Economic and Political Weekly*, Special Number, August 1978, pp. 1307-16.

¹²D.C. Korten, "Community Organisation and Rural Development—A Learning Process Approach", *Public Administration Review*, September-October 1980, pp. 480-511.

¹³A. Subramanian, *Managing Grass Roots Organisations—A Study of Voluntary Agencies in Development Programmes*, (Working Paper), Ahmedabad, Indian Institute of Management, (mimeo).

inadequate or inordinate degree of attention. In the public system, there may be inadequate attention given to the project since there may be a great pressure to hasten the project phase so as to take on a massive programme. This happened in the case of the Community Health Volunteer Scheme. While the role had been tried out with success by voluntary agencies, there was not much time for testing this out and preparing the ground within the public system. Pilot projects were initiated within the public health service structure, but the expansion of the scheme did not wait for their review. On the other hand, 'floodlighting' due to the interest of political or bureaucratic leadership or of international agencies may lead to high visibility, abnormal attention, and consequent exemplary performance.

Content and Context

Awareness of the features in a project can equip the programme manager with knowledge of the factors likely to hinder the process of replication. The two questions that he would have to ask are: (1) What are the lessons of the project and hence what is it that is being replicated? This would refer to the *content* of replication; and (2) How is it to be replicated? This would consider the *context* in which the programme is to be planned and implemented.

The model project would have demonstrated a range of elements that has proven effective for a given problem. This can include objectives, strategies, mode of organisation, technology, methods, and organisational processes. In the case of the Community Health Volunteer Scheme, the voluntary agency efforts in the early seventies had shown that such a role would provide a critical link between the health system and its beneficiaries and decentralise a certain type of health care to the village level. Appropriate processes of selection, training and monitoring and a structure of back-up services were demonstrated. The national scheme or the large scale programme of the government started with this learning. A decision was necessary as to the objective of the scheme in order to determine the content of replication. Multiple objectives characterised this programme, as indeed they affect many public programmes in general. As a consequence, not all the elements of the project could be faithfully retained. This underlines the criticism of governmental attempts at replication that the absence of key elements of the project in the programme leads to a mechanistic extension of the learning. The necessary structural changes in the administrative organisation, such as the development bureaucracy or in the larger society, may neither be made nor be feasible, thereby limiting the effectiveness of the transfer.

It has been observed that the objective of replication is to extend the useful experiences of a project to as large a population as possible. It is a major assumption whether, in fact, this happens when an attempt is made to 'quickly cover' as many districts and blocks in as short a time as possible.

Development can then easily wind up being a distribution of some 'benefit' or the other, reflected by an array of statistics of 'coverage'.¹⁴ As a consequence, those aspects of a project that are easy to duplicate and involve the transfer of physical inputs to the people—medicine, buffaloes and the like—are likely to be pushed in order to demonstrate quantitative achievements. The efforts of enabling people to strengthen themselves and influence development processes, efforts that may be a part of the smaller project, may get left out in the cold. In the case of the National Adult Education Programme (NAEP), despite the fact that literacy, functionality and social awareness were equally important objectives, the latter two limped along behind the former's sprint during implementation. Projects that provided the inspiration for the 'large' objectives of the NAEP must have been able to integrate all the objectives.

This discussion points to the need for raising questions regarding objectives of replication while planning and implementing the programme. It is quite likely that the project, due to the features outlined earlier, may stress outcome and impact related measures of assessing performance. The movement to a programme might shift the focus to inputs. Thus, the project might have kept the objective of a rise in income or reduction of mortality well in front while the programme may speak exclusively of bank credit and fertiliser distributed or number of patients in the clinic and quantity of medicines given.

This leads us to questions of the *context* in which the programme is designed and implemented. The context or environment can be both external and internal. The former denotes: (a) the macro socio-political environment of the programme as a whole, and (b) its local environment created by the ecology, the social and economic institutions and the historical setting of the communities to be served. The latter, or the internal environment, refers to the organisational setting—structures, systems, processes and pattern of human interactions within the programme organisation. The external and internal environments can help and hinder a programme and a critical assessment is, therefore, vital.

That the external environment of the programme will vary from that of the project is evident from the diversity of settings in which efforts are made to implement a national or even a regional programme. The income levels, literacy, physical endowments and several demographic and ecological attributes differ considerably from region to region and also within a region. The NAEP of 1978 may serve as an illustration. Recognising the vital variations in social and economic contexts, the NAEP planned for the creation of State Level Resource Centres which were to facilitate the development of teaching material in accordance with the needs of local settings.¹⁵ This

¹⁴Madras Institute of Development Studies, *Structure and Intervention*, MIDS, Madras, 1980.

¹⁵Government of India, Directorate of Adult Education, *op. cit.*, pp. 34-5.

factor of local variation is, however, more often neglected in the haste to push a programme and achieve arithmetical targets. The notion of 'family coverage' in rural development programmes may be recalled here. The magnitude of coverage for a given period of time is expected to be the same for every block, no matter how the ecological, social and economic conditions vary, from block to block. Thus, the Integrated Rural Development Programme is to cover 600 families every year in each block¹⁶.

The interests and responses of various groups relevant to the programme will also constitute its external environment. Thus, as already referred to earlier, the response of the medical profession to the Community Health Volunteer contributed to a constraining environment for its design and implementation at an overall programme level. In this context, reference may be made to a study of an earlier period, where the factors creating the environment for the shift from a professional to a populist health model are identified as the ruling elite's attitude, the decline in the dominance of professionals in the ministry, the personal support of the Prime Minister, the pressures of a redistributive ideology, change in the international professional community's view and growing challenge to the Indian Medical Association's dominant ideology¹⁷.

As for the internal environment arising out of the organisation structure, the range and quality of the personnel and the work culture within the development bureaucracy would vary considerably from area to area. If the programme is to be implemented through this structure, then there are some obvious limitations it imposes on it. Thus, for instance, the Food for Work Programme showed considerable variation in performance in states that opted for it, despite a uniform set of policy and desired strategies. Although voluntary agencies in health had worked with illiterate women for the delivery of a certain level of health care service in the village, the national volunteer scheme decided to go in for a middle school graduate as the village level worker. The concerted training and follow up over years in the case of the voluntary agencies enabled the health workers to function effectively. However, such an intensive effort was apparently not considered feasible by national programme planners due to the limitations of the district and primary health centre organisation structure. Hence, perhaps, their choice of a uniform, but a more realistic norm of a relatively more literate volunteer. On the other hand, the history of the organisation structure of the health services points to serious constraints of internal environment. Prior to the national scheme, a major structural change in the form of the change of the role of unipurpose into multipurpose health workers had been initiated

¹⁶Government of India, Planning Commission, *op. cit.*, pp. 171-2.

¹⁷R.M. Maru, "Policy Formulation as a Political Process—A Case Study of Health Manpower, 1949-75". Paper presented in the Workshop on Public Policy (April 5-7, 1982), Ahmedabad, Indian Institute of Management (mimeo).

and was yet to be fully implemented. Amidst this, yet another role of the community health volunteer was introduced. The readiness of the organisation to absorb new roles in such quick succession would have required careful assessment.

MANAGING REPLICATION: KEY ELEMENTS

The management of replication seems to involve the following key elements: (1) analysing the programme environment at the macro and micro level, (2) assessing roles and strategies, (3) ensuring local adaptability and flexibility, and (4) institutionalising significant processes of a project. The following passages will briefly explain these elements.

Analysing the Programme Environment

This analysis will point to the compatibility between the demands of the programme objectives and the attributes of: (i) the external environment and consequent requirements of organisational flexibility and adaptability, and (ii) the internal environment in terms of capabilities and the culture of work of the implementing organisation.

A wise reading of the environment will impress upon the programme management the need to look for alternative approaches for accomplishing the desired objectives. For instance, the critical objective in a programme may be the prevention of a disease or infection. Reaching this objective may depend on the function of mobilisation and participation of the concerned sections of the community. However, the internal environmental analysis of the organisation of the public health services may indicate that it is unlikely to carry out such a function. Alternatives may then be thought of for the replication effort.

Assessing Roles and Strategies

On the basis of the foregoing analysis, the programme management may decide on the role it will play in the replication process. For instance, it may decide that, rather than implementing projects directly, the programme's role would be catalytic. That is, it will help other agencies, both public and private and develop projects along the lines of 'the model'. Its objective will then be the successful implementation of the project not directly, but through other channels. Identifying and developing individuals and institutions that can satisfactorily replicate the project will be the significant strategy.

The analysis can also suggest other approaches for the programme management. The external analysis may highlight the obstacles likely to be posed by interest groups that may have tolerated or overlooked the project, but will not support the programme. An approach of moving from a project phase to a transitional phase, where the project is tried out before

launching the programme, may then be chosen. Thus, one might speak of an interim phase of a 'pilot programme' after the pilot project.

Such a pilot programme may even be tried out in locations which do not have very hostile environments. In other words, the programme management may opt for a strategy by which efforts are not diffused in multiple settings. There may not be adequate strength within or support without to see the programme through. Consequently, the project may be replicated in those settings which provide a conducive environment. Such an experience can strengthen the programme management's understanding of the problems in replication.

The interim phase also seems relevant for attempts of the public system at replicating voluntary agency projects. The possibilities and limitations of the governmental system will then be understood before a large-scale operation is initiated. Between the small step and the great leap may then lie a useful hop.

Ensuring Local Adaptability and Flexibility

As mentioned earlier, the variety of contexts can demand a variety of local managerial responses in a programme. The organisational structure will have to facilitate such responses. While this calls for autonomy at the local level, there may also be a concern about safeguarding institutional norms and objectives. The task of the management will then be the evolution of appropriate monitoring and control measures. Moreover, the responsibility that autonomy calls for at the local level will require a certain level of capabilities at that level. This will require efforts at developing managerial capabilities down the line, with emphasis on sensitivity to local contexts and creation of alternative measures. Resource and organisational support will then follow. Training and human resource development will, thus, form a significant component of the replication process.

Institutionalising Significant Processes of a Project

The project is likely to have worked with a number of informal processes that are significant for its effectiveness. For instance, field visits by managers and supervisors may have facilitated informal on-site training and monitoring. Joint planning through frequent face-to-face communication may have resulted in a motivated team. The programme management will be faced with the task of setting up policies and systems that will substitute, and in some measure, facilitate the informal processes. Policies can stress the value of the desired processes. For instance, the NAEP stresses that the role of the supervisor, who is to oversee the work of the village level instructors, as not that of a traditional inspector, but one of a supportive resource person.¹⁸ Similarly, while talking of local autonomy for a unit, NAEP draws attention

¹⁸Government of India, Directorate of Adult Education, *op. cit.*, p. 5-23.

to the undesirable attitude and behaviour of conventional public programme authorities in making 'surprise checks'. The process of selection may be given a great deal of attention in the programme since the right person is more likely to initiate the appropriate processes. New roles, such as that of a social worker, with an orientation to organisational and community processes, may be called for.

Considerable organisational learning may be involved in responding to the third and fourth elements listed above. Iterative exercises of action, review and change will have to form the basis for decisions regarding alternative or modified structures and processes.

CONCLUSION

Many development programmes are evolved on the basis of pilot projects and experiments. Managing replication then becomes a significant function in the programme. This involves transfer of the experience of a project, in part or in its entirety, to diverse contexts as part of a large-scale programme.

Planning for resources and logistics is an important function of the programme management. At the same time, it has also to respond to the organisational and socio-political processes constituting the programme environment. Thus, replication is more than a linear extension of the model project and calls for innovative and sensitive managerial responses. □

Implementation of Dairy Development Schemes at The Grassroot Level: The Case of Sangam Dairy

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and
E. A. Narayana

IT IS widely acknowledged that rural development in India calls for policy initiatives and concerted action on a number of fronts. During the last three and-a-half decades, the government has adapted a number of programmes and strategies for promoting rural development. These include Community Development, Panchayati Raj, Intensive Area Development, Development of Backward Regions, Minimum Needs Programme, Integrated Rural Development Programme (IRDP), etc. The IRDP was evolved from experience gained from the operation of programmes, like SFDA, DPAP, CAD, etc.¹ The main thrust of the programme is to increase productivity and at the same time generate higher incomes for the target groups of small and marginal farmers, agricultural and non-agricultural labourers and rural artisans.² The dairy development programmes, sponsored by the National Dairy Development Board (NDDB), constitute a significant component of rural development effort in our country. These dairy development programmes have now completed more than a decade of their existence. The period witnessed a 50 per cent increase in milk production and a five-fold increase in milk powder production. It may be appropriate to evaluate the impact of the dairy development programmes from the broader perspective of the policies as also their economic viability, the adequacy of the organisational structures and their impact on the target groups. This article is based on a detailed study of Sangam Dairy (the Guntur District Milk Producers' Union) and the functioning of Primary Societies within the Dairy's purview.

Two significant developments of the 1970s were: (i) initiation of schemes in dairy development, and (ii) introduction of special schemes for assisting small and marginal farmers and agricultural labourers.* Under the latter,

¹National Commission on Agriculture, *Interim Report on Reorganisation of Programmes of Small Farmers and Marginal Farmers and Agricultural Labourers Development Agencies*, New Delhi, Government of India, 1973, pp. 19-20.

²See Planning Commission (PEO), *Report of Evaluation Study of Small Farmers, Marginal Farmers and Agricultural Labourers Projects—1974-75*, New Delhi, Government of India, 1978, pp. 1-26.

*The SFDA-MFAL programmes were started in 1969-70, and Operation Flood was launched in 1970.

assistance for the purchase of milch cattle tended to gain priority. The SFDA/MFAL schemes synchronised with the National Dairy Development Board's programmes for expansion of dairy industry and development of the National Milk Grid (NMG). The NMG sought to bring the rural milk producers and urban consumers together. The national dairy programmes, launched by the NDDB, were given a dramatic code name as Operation Flood-I.

Operation Flood

The estimated outlay of Operation Flood-I was Rs. 1,164 millions. The funds required for the project were made available through sale proceeds of dairy commodities, donated by the World Food Programme of the World Bank from the sale of butter oil donated by the European Economic Community. The Indian Dairy Corporation (IDC), a Government of India Undertaking, was set up at Baroda to advance funds for the various dairy projects. The IDC usually provided funds on a 70 per cent loan-cum-30 per cent subsidy basis.

The NDDB dairy schemes have four major objectives. Firstly, they aim at bringing about a white revolution by increasing production of milk through supply of technical inputs. Secondly, by developing an infrastructure for marketing, the NDDB links rural production centres with urban consumption centres through national milk grid. Thirdly, by motivating individual peasants and rural poor through additional incomes, it attempts to promote rural development. Fourthly, the NDDB and the IDC placed reliance on a cooperative organisation for each dairy. This cooperative organisation is to be owned by the milk producers/members themselves without any appreciable control by the state government. By enabling participation in benefits, the project seeks to improve the confidence of the target groups in the efficacy of the grassroot organisation. The objectives of grassroot cooperative organisation were first introduced at the Amul Dairy, Anand (Gujarat).

Progress made during the period of Operation Flood-I programme is striking: 18 major dairies were started in India in 10 states, covering 1.3 million farm families.³ Within 10 years, income of the milk producers has doubled. The milk supply to metropolitan cities has increased from one million litres to 2.5 million litres.⁴

³In Andhra Pradesh alone, there are 79 dairy units, including 10 district dairies, 26 mini milk chilling centres, 19 cooling centres and 5 milk product factories. The installed capacity of the various dairy units is 1.6 million litres per day. Milk is being procured from 3.5 lakh producers through 3,980 collection centres, covering 5,840 villages. Everyday, about 200 milk trucks are deployed for transporting milk. See N. K. Suroya, *Dairy Development in Andhra Pradesh*, Hyderabad, Andhra Pradesh Dairy Development Cooperative Federation.

⁴*The Hindu*, January 5, 1983.

Encouraged by the results of the first phase, Operation Flood-II was conceived in an ambitious manner. For investment over a seven year period (1978-85), it provides an outlay of Rs. 4855 millions.* The major objectives of the second phase include: (a) extension of the dairy cooperative structure to cover about ten million families of rural milk producers; (b) addition of 16 million cross-bred cows and buffaloes; (c) development of regional milk grids, with linkages to the national milk grid and major urban centres (148 cities and towns); (d) overall improvement of the processing capacity of the various dairies mainly through provision of additional plants; and (e) strengthening the infrastructure facilities concerned with milk production, marketing and management services.

Sangam Dairy

The Sangam Dairy offers an illustration of one of the more successful dairies sponsored on the Anand pattern. It provides a model of rural development that has theoretical appeal besides attempting to optimise economic gains to the rural poor. The Sangam Dairy was first conceived during 1972-73 under the Operation Flood-I programme.† The IDC and the Government of Andhra Pradesh entered into a series of agreements. Under the terms of these agreements, the IDC advanced an amount of Rs. 10 crores and the state government provided Rs. 81 lakhs as its share. The financial assistance provided by the IDC was on a 70 per cent loan and 30 per cent grant basis. The milk producers of West Godavari, Krishna and Guntur Districts donated Rs. 1.5 lakhs to purchase about 35 acres of land before initiating the project. The dairy was located at Vadlamudi (16 km from Guntur town).‡

At the time of registration of Guntur District Milk Producers Cooperative Union (August, 1978), only 85 village dairy cooperative societies were affiliated to it. Today, the Sangam Dairy covers 650 villages (425 cooperative societies and 225 collection centres) out of 729 villages and 1,100 hamlets. About one lakh milk producers are actively associated with the supply of milk to the Sangam Dairy.

*The IDC had agreed to provide Rs. 50 crores (30 per cent grant and 70 per cent loan) for dairy development in Andhra Pradesh covering about 16 of the 23 districts.

†An earlier experiment in setting up a milk cooling unit in the cooperative sector was made in 1960. The milk cooling unit functioned for a very short period. It had to be closed down as there were no proper transport facilities from the villages to the plant located in Guntur town. Financial irregularities and misutilisation of loans had also contributed to the closure of the unit. An integrated approach for the production and marketing of milk was adopted during 1970-71, when the State Government came forward to establish three milk chilling centres with an overall annual capacity, which provided the nucleus for the Sangam Dairy.

‡The foundation stone was laid on February 9, 1974 and the plant was inaugurated on August 30, 1977. The Dairy was handed over to the Guntur District Milk Producers Cooperative Union on August 1, 1978.

The capacity of the dairy, at present, is 2.25 lakh litres of milk per day. The quantum of milk collected by the dairy stands at two lakh litres per day, the highest for any dairy in South India and the third largest in the country.* With the addition of one more plant (presently under construction) and the projected expansion, the dairy's capacity will go up to four lakh litres by 1985.† At present, the dairy produces 22 tonnes of milk powder, 24 tonnes of butter and 10 tonnes of ghee per day, besides selling about 40,000 litres of toned milk per day in the towns of Guntur district and transporting two lakh litres of milk per week to the city of Calcutta. The annual business turnover of the dairy is about Rs. 17.5 crores.‡

The quantity of milk collected through the primary societies and collection centres of the dairy had registered a fantastic increase over the year. Over a period of five years, between 1977-78 and 1982-83, the quantity of milk has increased nearly ten-folds.§

The dairy provides support programmes to the producers through its Artificial Insemination Service Centre, arranges free veterinary aid through nine mobile veterinary clinics and two emergency clinics, supplies feed produced at its Cattle Feed Plant; and sells fodder seed and grass slips at subsidised rates||. The dairy also arranges training programmes to the paid secretaries of the primary societies. It has a comprehensive educational programme, including screening of films on dairy development, animal care, quality feed production, and insurance of animals.¶ The dairy organises, under the Farmers' Induction Programme, educational tours for milk producers. Such tours include a trip to progressive farmers, one from each primary society, to Anand Dairy.

The Cooperative Organisation

The cooperative organisation, covering the milk producers, is based on a three-tier network. At the bottom of the network is the Primary Society of Milk Producers, organised for each village or hamlet. Eligibility for membership is being determined by supply of milk for at least 90 days in the preceding 6 months, i.e., prior to registration. To be eligible

*The first and second being Amul Dairy (Anand, Kaira District, Gujarat) and Dudhsagar (Mahasana, Gujarat); annual dairy production of Amul and Dudhsagar was about 8 lakh and 4 lakh litres of milk, respectively.

†One more district (Prakasam) has been added recently to the Guntur District Milk Producers Union. With this, 93 societies of milk producers have come under its purview.

‡The figure is for the year 1982-83.

§The annual collection of milk increased from 4.6 million to 44.5 million litres.

||Even the feed cost is in a way subsidised because 30 per cent of the cost of the plant (Rs. 80 lakhs) was subsidised by the IDC. Nearly an amount of Rs. 11 lakhs was spent for veterinary services during the year 1982-83 alone.

¶As per the package agreement between the Sangam Dairy and the United India Insurance Company, each farmer pays Rs. 12.50 for an animal worth Rs. 1,000. In normal course, the farmer would have to pay four times the amount as insurance premium.

for registration, the proposed society has to satisfy the criteria of economic viability and feasibility of transportation. Generally speaking, the Primary Societies of Milk Producers are organised in villages where private milk collection centres existed before, with an uninterrupted supply of at least 100 litres of milk per day on average. Each primary society would elect, for a term of three years, nine directors who, in their turn, elect the president. Each society appoints a paid secretary to maintain accounts, supervise milk collection, testing of milk procured and render other services. The bigger societies appoint testers to look after testing the fat content of milk.

At the middle of the three-tier network is the District Cooperative Union of Milk Producers. Presidents of all the Primary Societies are its members. The constitution of the Guntur District Milk Producers Cooperative Union provides for an executive committee of 12 directors, elected by the members and six nominees of the government. The chairman of the district union is elected by the board of directors. The tenure of the board is five years. The Sangam Dairy is being managed by a general manager (appointed by the state government) and three deputy general managers, one each for plant, production and finance. The dairy has a total strength of 750 employees and workers.

At the apex of the three-tier cooperative network is the Andhra Pradesh Dairy Development Cooperative Federation. It consists of all the cooperative institutions engaged in dairy development in the state. It functions as the chief policy-making body and marketing agency for the entire state.

Dairying: Subsidiary Economic Activity

In most villages of the district, dairying has emerged as an important subsidiary occupation, mostly due to the impetus given by the Sangam Dairy. It generates production of about Rs. 15 crores worth of milk in approximately about 40 per cent of the villages of the district. Besides, nearly a third of the villages of the district supply milk, through private vendors to the towns and cities, worth around Rs. 10 crores. Even if dairying contributes only a small segment of the resources and impetus for overall rural development, the progress registered by this sector in Guntur District is impressive. It contributes directly to rural savings and improved purchasing power. Improvements in animal care and productivity of milch animals are also striking and the gains extensive. The cooperative system of primary producers has also been based on a greater degree of economic equality, as indicated by the quantum of milk supplied daily by the milk producers. A random survey of suppliers shows that less than 11 per cent are landless, about 65 per cent have land below 5 acres; 22 per cent own land between 5 and 10 acres and the remainder (2 per cent) have land above 10 acres. Out of the total one lakh families associated with the Sangam Dairy as producers, the bulk earn less than Rs. 5 per day from the sale of milk; about

10 per cent make between Rs. 5 and Rs. 10, and four per cent earn above Rs. 10 per day.

Several factors seem to contribute to the effectiveness of the organisation of the primary societies and the district union. Nearly four-fifths of the societies are reported to be functioning very effectively.* They are financially sound. Member satisfaction is high. More than 50 per cent of the households in the respective villages are members of Society of Milk Producers. Complaints of embezzlement of funds or other malpractices are unheard of. They distribute 65 per cent of the profits as bonus to the members and employees on a regular basis. These societies also undertake distribution of feed and free supply of veterinary medicines, arrange for artificial insemination of buffaloes and insurance of animals. Milk procured by the respective societies has been on an ascending scale over the past few years.† One-third of the societies have been able to put up pucca buildings of their own with money earned as profit from the milk business. A few societies have been able to build a veterinary centre and a library out of their profit margins. One striking feature of the more effective societies is their political structure. Though the Primary Societies of Milk Producers became more important centres of power than either the Panchayats or the Agricultural Cooperative Credit Societies, factionalism, a characteristic feature of the village communities, has been contained to a minimal level in the milk societies.‡ There appears to be a great deal of group solidarity among the members in seeing to it that overt political considerations are de-emphasised both in the selection of the executive members or in the day-to-day operations of the societies.§

Participation of Women

The involvement of women in dairying is more widespread and next only to that of household activity. There are social norms in this area favouring participation of women of all socio-economic strata in agricultural

*The performance of about 15 per cent of the primary societies is rated to be just above average. In their business, they break even. About, 5 per cent of the societies are considered to be in bad shape. About a dozen societies have become defunct or have been placed under the control of special officers due to either factionalism, business losses or misappropriation of funds. Societies under special officers are Dhulipala, Mallipadu, Kantheru, Pedakakani, Veeranayakunipalem and Karlapalem.

†The primary societies rated in the top category are Vallabhapuram, Gudibandivari-palem, Kollipara, Mulukudur, Yedlapalli, Valivelu, Chintalapudi, and Thumuluru.

‡A society with average business would make a daily profit of about Rs. 100 to 140.

§It may be noted that so far elections to the Board of Directors of the District Union have been largely unanimous. In September 1983 election, when the contest for four positions of Directors appeared to be keen, the official slate of nominees got elected by huge margins as the contestants of the opposing faction polled only about 17 per cent votes. The election of the Chairman of the District Union has always been unanimous. See *Indian Express*, October 1, 1983.

activities. Their participation in dairying is also being accepted culturally. The women take cattle for grazing, provide feed, clean cattle shed, milk buffaloes and deliver milk at milk collection centre of the village. Women also keep accounts of milk supply and collect money and utilise it generally for household consumption purposes. Sometimes, they accumulate surplus for capital formation. As an activity, dairying seems to offer a measure of economic independence to women in small and medium-size peasant families.

The widespread participation of women in dairying seems to structure the pattern of accountability of the Milk Producers' Primary Societies toward the beneficiaries. Since women take care of accounting, they seem to evince keen interest in the benefits which they derive from the society. Variation in the fat percentage tends to be a matter of discussion and controversy among the womenfolk as to why the fat percentage varies from day to day. It is not uncommon for them to insist that the testing be done for a second time. The womenfolk are also quick to react if the society defaults in observing the payment schedules. In such an event, a flurry of questions is raised and social controls are sought to be applied for making the executive and the paid secretary accountable to the clientele. Although the women become an effective target group of beneficiaries with a high degree of participation on the input side, it is much less pronounced on the output side. Seldom do they attend the general body meetings of the respective primary societies of milk producers. Women are not represented on the executive bodies of more than 95 per cent of the primary societies. There has been no women representative on the board of directors of the district union. The Primary Societies of Milk Producers' Cooperatives tend to become more important centres of power than that of the panchayats. This is for the simple reason that they have daily economic transactions, involving flow of money and profits. It is a paradox that while women utilise their labour resource abundantly and also exercise control over the income from the sale of milk, the political arena is left exclusively to the menfolk.

REASONS FOR EFFECTIVENESS OF SANGAM DAIRY

A major source of strength of the district union is the effective functioning of the bulk of the primary societies. As the primary societies tend to operate on sound business lines and with a sense of accountability to the milk producers, the district union is automatically made more effective by the strength of the grassroot organisation. Competitive politics, so characteristic of functioning of other institutions in the district, is contained to a great extent at the grassroot level, limiting its role in the functioning of the district union.

The top management of the district union is fortunate in having a team of officers, carefully chosen for their commitment, expertise and team spirit.

This has contributed to business efficiency in the organisation, increasing its business turnover and maintaining cordial relations with the employees down the line.*

The Sangam Dairy is the only dairy unit in Andhra Pradesh with a high level of performance and adequate project margins when the state level federation and its units have been in economic doldrums.⁶ The federation's policies in regard to price fixation and marketing had an adverse effect on the Sangam Dairy also. An expert committee was appointed by the Government of Andhra Pradesh to study the problem and make appropriate recommendations. The committee noted that main reasons for losses in units managed by the AP Dairy Development Cooperative Federation (APDDCF) included heavy overhead charges, including overstaffing, maintenance of uneconomic units and unwarranted increase of procurement price.†

The expert committee therefore, suggested that the procurement price be brought down in the flush season.⁷ The committee also felt that the operational costs of the Sangam Dairy are most reasonable relative to that of other dairy units managed by the APDDCF. One significant suggestion made by the committee was that the other dairy units in Andhra Pradesh should be organised on the Sangam model—the Anand pattern.

State Federation's Negative Role

The expert committee did not, however, go far enough.‡ It did not attempt to decentralise marketing decisions to the level of the individual dairies. Problems in regard to marketing seem to emanate from centralised decision-making by the state level federation for all dairy units within the state. Under the terms of agreement between the state government and individual dairy units, the latter are prohibited from marketing their products beyond the respective districts. In other words, the federation has

*Overstaffing, an endemic feature of most of the other district units in Andhra Pradesh, has been virtually non-existent in the Sangam Dairy. Hitherto, the salaries and perquisites of the employees are kept at a reasonable level. The Sangam Dairy incurred 0.95 paise only during 1982-83 as against Rs. 1.84 on overheads per litre of milk handled by the APDDCF. Of late, the trade unions of the dairy have been able to bargain for extra benefits, increasing the financial commitment of the district union.

⁶Accumulated losses to the Federation since 1974-75 were of the order of Rs. 8.5 crores, and in 1982-83 alone the loss amounted to Rs. 7.5 crores. See *The Tribune*, Chandigarh, February 8, 1983.

†The procurement price of milk, with 10 per cent fat content, was fixed at Rs. 4 per litre for all seasons. In the case of the Amul Dairy, there is variation in the procurement price depending upon the season.

⁷See, *The Hindu*, September 5, 1983. The IDC made the same suggestion earlier. Long before the announcement of the expert committee's recommendations, the general body of the Guntur District Milk Producers Union approved a reduction in the procurement price of milk.

a monopoly over decisions on marketing and prices of the dairy products, like butter, ghee, milk powder, etc. The record of the federation in marketing the dairy products has, however, not been praiseworthy. The federation has been unable to instil a sense of confidence in the managements of the dairy units about its managerial capabilities in the area of marketing. Further, the federation is also being accused of showing preference in selling stocks of its own units while allowing stocks to pile up in independent dairies like Sangam. In regard to price fixation, the federation is being criticised for taking a populist rather than a professional perspective. As the Sangam Dairy is linked to the federation in many of the crucial areas, its operational efficiency cannot be considered in isolation from the policies and perspectives of the APDDCF.

OPERATION FLOOD: AN ANALYSIS OF ISSUES

From the standpoint of development administration, the Anand pattern of cooperative organisation, linking the producers and consumers through technologically sophisticated processing units and a marketing network, represents a major institutional innovation. It has caught the imagination of planners throughout the world and similar programmes have been initiated in Pakistan, Sri Lanka, Philippines, Bangladesh, Burma, Indonesia, Uganda, UAE, Tanzania, and Zimbabwe.⁸ China sought the help of the NDDB of India in developing a modern dairy industry.⁹

Both Operation Flood as well as the Anand pattern have been criticised on a number of grounds. Operation Flood is viewed by some leftist critics as a "classic example of the commercialisation of a primarily development programme".¹⁰ Rao Birendra Singh, Union Minister for Food and Agriculture, observed that the only achievement of Operation Flood was "to make available cheap milk to urban consumers at the cost of rural milk producers".¹¹ Daryl D. Monte, a researcher, based on his study of a milk cooperative society in Gujarat, came to the conclusion that the small farmers and agricultural labourers have not benefited from Operation Flood.¹²

Such criticism does not seem to stand a careful scrutiny if one takes an overview of the impact of the schemes initiated by Operation Flood. Contrary to the contention of the critics, the UN Inter-Agencies Mission, which conducted a terminal review of Operation Flood-I, claims that by offering an increased price for milk, Operation Flood has, in many areas, forced up the price paid by the private traders, thereby extending benefits

⁸*The Free Press Journal*, Bombay, June 7, 1983.

⁹*Financial Express*, Bombay, April 9, 1983.

¹⁰See, Research Team, *Operation Flood: Development or Dependence*, Centre for Education and Documentation, Bombay, Cite Publication, 1982.

¹¹*The Hindu*, April 28, 1981.

¹²*Indian Express*, February 24, 1981.

even to those milk producers who are not members of the cooperative societies. Their assessment is that small farmers and marginal farmers, and agricultural labourers have benefited from Operation Flood more than the better-off farmers. Although per capita milk consumption has gone down slightly among the children of milk producers, the calory and protein intakes of the owners of milch cattle are higher than the coorresponding intakes of non-owners.

The field data available from Andhra Pradesh indicate that the primary societies of milk producers are basically an organisation of poor and middle peasants. These cooperatives have sustained themselves in the face of stiff competition from private vendors and their nefarious commercial practices. Nearly three-fourths of the 3.5 lakh milk producers, covered by the various dairy units in Andhra Pradesh, are small and marginal farmers and agricultural labourers.¹³ For the Guntur District Milk Producers Union, the proportion of this target group is higher by about two per cent. The overall contribution of the dairy industry to the promotion of the goals of integrated rural development, especially upliftment of the lower strata of rural society is, therefore, untenable.

The Anand type organisation could be extended to other areas for bringing the farmers under a cooperative set-up. The farmers themselves should be able to set up the processing units on modern lines for cotton, oil-seeds and other commercial crops. In fact, in Gujarat the vegetable oils complex has already been developed on these lines. However, the Anand type of organisation could flourish only when the concerned state governments accept certain conditions—that farmers cooperatives and the state level federation would own the processing units and the state government guarantees that it would desist from the temptation of foisting its representatives to control the cooperative units.¹⁴ □

¹³See, Suroya, *op. cit.*

¹⁴See the statement by Dr. V. Kurien, Chairman, National Dairy Development Board, *The Indian Express*, March 13, 1983.

Administrative Hurdles to Poverty Eradication: Nepal's Experiences with Integrated Rural Development Projects*

Madhab Prasad Poudyal

*For every dollar spent on the war on poverty today, only 10 cents ever
directly reaches the poor.*

—MILTON FRIEDMAN

NEPAL, A SOVEREIGN independent Hindu Kingdom, situated on the southern slopes of mid-Himalayas, has an area of 147,181 sq. km. Major part of the country consists of high mountains and rolling hills and flat lands of Tarai comprises only 17 per cent of the total area. While the country can be divided into three major geographic regions—Himalayan, Mountain and Tarai, it is administratively, divided into 14 zones and 75 districts, and for paying proper attention to the needs of regional planning, it is vertically divided into five developmental regions.¹

Over 16 million people reside in the country; only 6.4 per cent live in the urban area and the rest in the villages.² About 93 per cent people derive their livelihood from agriculture and allied activities. The country is one of the poorest in the world and over 41 per cent of her population live below the poverty line.³ Though the country does not have any specific programmes for 'poverty eradication', it is obvious that all the developmental efforts are aimed at eradicating poverty and upgrading the standard of living of her populace.

Freeing herself from the clutches of rule of the Rana family in 1951, though the country is about to complete six developmental plans, yet it is a country of poverty-ridden people having a per capita income of \$ 115 according to 1975 figures. However, relative success of the first integrated

*The article is based on author's unpublished paper which was read during the 9th Annual Conference of Indian Public Administration Association at the Sambalpur University, Orissa, held in April, 1984.

¹National Planning Commission, *Statistical Pocket Book of Nepal*, 1982, Kathmandu, Central Bureau of Statistics, 1982, pp. 1-10.

²His Majesty's Government, *Nepal at a Glance*, Kathmandu, Department of Information, 1983, p.3.

³Y.P. Pant and S.C. Jain, *Rural Problems and Rural Development in Nepal: A Search for New Strategy*, Delhi, Development Publishers, 1980, p. 38.

approach to rural development project in providing some minimum need facilities at the districts of Rasuwa and Nuwakot in the recent past attracted the thinking of Nepalese planners. Eventually the Integrated Rural Development Programme (IRDP) was incorporated in the policy statements of the *Sixth Five Year Plan*. It has also attracted attention of foreign aid donors (governmental as well as international agencies); at present, seven IRD projects, at the cost of Rs. 1,504,317,600 are under execution throughout the country and one more is about to start. A large proportion of expenditure (Rs. 1,254,903,000 or about 80 per cent) is shouldered by international agencies and foreign governments (namely, USA, Canada, Switzerland, and United Kingdom) in the form of grant and loan assistance and Government of Nepal is adding thereto only Rs. 249,414,600 (about 20 per cent).

HISTORICAL BACKGROUND OF RURAL DEVELOPMENT

The new government, for the first time, made an effort to introduce a rural development programme throughout the country in 1952 by launching the Tribhuvan Village Development Programme with assistance from the US Government.⁴ The first five year plan (1956-1961) aggregated all the rural-life related programme in its village development scheme.⁵ But after the introduction of Panchayat Polity in 1961, different rural development programmes were conducted by different ministries and departments in their own style without any coordination. The 1974 New District Administration Plan once again realised the importance of a coordinated district development programme and all the developmental programmes within the district were brought under the general supervision of Chief District Officer. In 1975, His Majesty's Government and the Government of Switzerland signed an agreement for the first phase of Integrated Hill Development Project at Giri. However, pioneer IRD Projects in Nepal were started at Rasuwa and Nuwakot districts in 1976 with a loan from International Development Agency (IDA) of the World Bank. In the same year, the government also developed an Integrated Panchayat Development Design. By 1980, the *Sixth Five Year Plan* incorporated the IRD programme within its policy framework. The objectives of the IRD policy as laid down by the plan are:⁶

1. To increase the purchasing power of the farmers and improve their

⁴Dwarika Nath Dhungel, "Rural Development Programme in Nepal: A Historical Perspective", *Panchayat Darpan* (Coronation Issue), Vol. 5, No. 15, Kathmandu, February 1975, pp. 72-73.

⁵His Majesty's Government, *The First Five Year Plan: 1956-1961*, Kathmandu, 1956, pp. 19-21 (cited by Dhungel, *op. cit.*).

⁶His Majesty's Government, *Chhaitam Yojana 2037-2042 Bhag Ek* (Sixth Plan 1980-85 Part One), Kathmandu, National Planning Commission, 1980, pp. 215-6.

living conditions by bringing changes in the rural socio-economic structures.

2. To develop an efficient leadership by involving maximum number of farmers in the process of decision-making which concerns directly their own situation.
3. To utilise the unused man-power by providing maximum opportunity for employment and mobilise the local resources through people's participation.
4. To integrate and coordinate different aspects of rural development programme.
5. To eradicate the existing rural poverty by increasing agricultural production through integrated approach to different programmes.

To achieve the above mentioned poverty related objectives, the plan gave priority to the following:⁷

1. Fulfilment of minimum needs such as: (a) minimum education facility; (b) minimum health facility; and (c) minimum potable water facility.
2. Increase in production and employment.

IRD PROJECTS UNDER IMPLEMENTATION

At present, there are seven IRD projects launched within the country and a feasibility survey of another one has also been completed. A brief introduction of the projects under implementation are given below under separate heads.

Rasuwa-Nuwakot IRD Project

This project was started from the fiscal year 1976-77 which covered an area of 249,020 hectares in Rasuwa and Nuwakot districts. Altogether 29,000 families were to be benefited from this project. The major programmes included by the project are agricultural extension, livestock development, hill terraces and river valley irrigation, improvement in agricultural inputs, control of soil erosion, development of health centre and water supply system, and improvement in transportation and cottage industry.⁸ This project also has a target to provide employment for 30,000 people of the area.

⁷His Majesty's Government, *Chhaitaun Yojana 2037-2042 Bhag Ek, op. cit.*, p. 216-17.

⁸Y.N. Ojha and S.P. Adhikari, *Integrated Rural Development in Nepal: An Experience in Participatory Planning and Development Administration*, Kathmandu, Sahayogi Press, 1982, p. 74.

The total cost of the project is Rs. 135,985,000. The source of expenditure is a loan assistance covering Rs. 106,250,000 (78.13 per cent) and HMG of Nepal is to provide a sum of Rs. 29,735,000 (21.86 per cent).⁹ Achievements and the experiences of this project have been a source of inspiration to others and also a matter of show-piece for the government.

Sagarmatha IRD Project

This project has been started from the fiscal year 1978-79. It covers an area of 477,800 hectares in the Siraha, Saptari and Udayapur districts of Sagarmatha zone. Programmes included in the project are—development of transport and irrigation infrastructures, agriculture development, development of cottage and rural industries, soil and water conservation, forestry, social services and establishment of a multipurpose training centre.¹⁰ People to be benefited from the project are 847,000. The total cost of this project is Rs. 450,120,000 of which HMG will provide only Rs. 78,045,000 (17.33 per cent) and the remaining to be borne by different agencies as follows:¹¹ (1) Asian Development Bank loan assistance: Rs. 169,400,000 (37.63 per cent); (2) International Fund for Agriculture Development loan: Rs. 157,300,000 (34.94 per cent); (3) European Economic Community grant: Rs. 45,375,000 (10.08 per cent).

In the initial phase, pace of the project was comparatively slow. The main reason behind this was "the concentration of different line agencies, involved in the project in primary work of the office establishment, manpower recruitments, etc."¹²

Koshi Hill Area Rural Development Programme (KHARDEP)

This project, started in the fiscal year 1979-80, has a term of five years with a grant from British Government (covering Rs. 110,068,000). The project covers an area of 6,375 sq. km. in four districts (Dhankuta, Tehrathum, Sankhuwasabha and Bhojpur) of Koshi zone. Altogether 554,104 people are expected to get benefit from this project. The components included in the programme are agriculture, irrigation, forestry, soil and water conservation, credit and cooperatives, agriculture inputs, storage and marketing, cottage industry, communication, power and potable water supplies, health and education.¹³

⁹The budgetary figures used in this article are based on the official data used in D.N. Dhungel's "Ekikrit Gramin Vikas Pariyojanako Karyanwayanma Dekhapareka Kehi Samashyahahu", *Prashasan: The Nepalese Journal of Public Administration*, Vol. 15, No. 2, Kathmandu, Ministry of General Administration, 1984, p. 88.

¹⁰Ojha and Adhikari, *op. cit.*, pp. 76-78.

¹¹Dhungel, *op. cit.*, p. 88.

¹²Dhruba Pant, "Integrated Rural Development Projects in Nepal: An Appraisal", *Prashasan: The Nepalese Journal of Public Administration*, Vol. 13, No. 1, 1981, p. 27.

¹³Ojha and Adhikari, *op. cit.*, pp. 79-80, and Pant, *op. cit.*, pp. 28-29.

Mahakali Hills IRD Project

This was started in the fiscal year 1978-79 and it covers an area of 530,500 hectares in three districts—Baitadi, Dadeldhura and Darchula—of Mahakali zone. The beneficiaries expected from the project are numbered 330,000. Total cost of this undertaking is 161,400,000 which is borne by different agencies as follows:¹⁴ (1) IDA loan assistance: Rs. 132,000,000 (81.78 per cent); (2) UNDP Technical Assistance: Rs. 13,080,000 (8.10 per cent); and (3) By HMG: Rs. 16,300,000 (10.09 per cent).

The programme incorporated agriculture, education, infrastructure, cottage industry, communication, drinking water, health, anti-erosion measures, livestock development, etc.¹⁵

Karnali-Bheri IRD Project (K-BIRD)

This project started in the fiscal year 1980-81 and covers an area of 6,553 sq. km. in the three districts—Surkhet, Dailekh and Jumla of Bheri and Karnali zones. Altogether, it aims to provide benefit to 384,405 people.¹⁶ Financial arrangements for the project are: (1) Government of Canada grant assistance: Rs. 123,000,000 (78.84 per cent); (2) HMG expenditure: Rs. 33,000,000 (21.15 per cent).

Rapti Area IRD Project

This project was started in the fiscal year 1980-81 with a grant assistance from the United States of America. It covers an area of 10-13 sq. km. in each of the districts of Rapti zone, i.e., Dang, Salyan, Pyuthan, Rukum and Rolpa. A total of 850,000 people are expected to be its beneficiaries. Its budgetary arrangements are as follows:¹⁷ (1) US/AID grant: Rs. 317,730,000 (79.28 per cent); (2) HMG: Rs. 82,990,000 (20.71 per cent).

The major programme components of the project are improvement in farming system, renewable resource management, employment and skill development, rural works and institutional development.¹⁸

Integrated Hill Development Project

This project has been launched with a grant assistance from Swiss Government. It is a three-phase project, first of which has already been completed in 1980. The second has already been started from the fiscal year 1980-81 and has covered an area of 2,200 sq. km. of Dolkha and Sindhupalchowk districts of Janakpur and Bagmati zones, respectively. Financial arrangements for the project execution are given below:¹⁹ (1) SATA's grant

¹⁴Dhungel, *op. cit.*, p. 88.

¹⁵Ojha and Adhikari, *op. cit.*, pp. 80-81.

¹⁶Pant, *op. cit.*, p. 28.

¹⁷*Ibid.*

¹⁸Ojha and Adhikari, *op. cit.*, p. 83.

¹⁹Dhungel, *op. cit.*, p. 88.

assistance: Rs. 77,700,000 (89.28 per cent); (2) HMG's expenditure: Rs. 9,324,000 (10.71 per cent).

This project is relatively different from other integrated rural development projects because "the project activities are launched under one umbrella and project manager is fully responsible for the planning and implementation of different activities in the project area".²⁰

Dhading IRD Project

Feasibility study of this project has already been completed. Preliminary work also has been started with loan assistance. Details about the programme and financial arrangements have not yet come out formally.

ORGANISATIONAL ARRANGEMENTS FOR IRDP IMPLEMENTATION

As stated earlier, prior to 1980, rural development activities were carried out by different ministries and departments in their own style. There was completely an absence of coordination for there was no ministry created for the purpose. Therefore, Ministry of Home and Panchayat, Ministry of Agriculture and several other Departments—like Road, Rehabilitation, Company, etc.—belonging to different ministries, used to handle the rural development activities. Thus, duplication of work and lack of coordination was natural. With the creation of a separate ministry called Panchayat and Local Development Ministry in 1980, rural development activities in Nepal were brought under a single umbrella. So far as the implementation aspect of IRDPs are concerned, following are the organisational arrangements within the country.²¹

CENTRAL LEVEL

Local Development Committee of the Cabinet

This is a high-level committee for local development which is presided over by Prime Minister and all cabinet level ministers, related to the IRD projects' activities, are represented on it. The committee meets twice a year. The Chief Secretary of the government is the Secretary of the committee.

Local Development Central Coordination Committee

This committee is presided over by the Minister of Panchayat and Local

²⁰Pant, *op. cit.*, p. 29.

²¹For details, see Govind Ram Agrawal, *Organizational Arrangements for Integrated Rural Development in Nepal*, Centre for Economic Development and Administration, Kathmandu, Tribhuvan University, 1982.

Development. Its function is to review and coordinate different ministerial activities. All the ministers and secretaries of HMG linked with the projects are members of this committee. Secretary of the Ministry of Panchayat and Local Development is the member-secretary of the committee and it meets quarterly.

Local Development Central Execution Committee

This committee is chaired by the Secretary of the Ministry of Panchayat and Local Development and meets every three months. Its function is to look after the implementation aspects of the project and to solve the problems that emerge during execution of the project through inter-departmental coordination. All the departmental heads, Director-Generals and Divisional Chiefs of the related organisations, are members of the committee.

BELOW THE CENTRAL LEVEL

Integrated Rural Development Project Committee

This committee is at the project level and it is presided by the Zonal Commissioner. The Project Coordinator is the Vice-Chairman. Planning Officer of the Project Coordinator's Office is the member-secretary of the committee. The other members include the Chief District Officer, District Panchayat Chairman, Local Development Officers of the districts and the section chiefs of the project coordinator's office. Its main functions are to formulate annual plans and supervise the projects under implementation.

High Level District Supervisory Committee

Besides the IRD Project Committee, there is also a provision for a high level supervisory committee under the chairmanship of senior most member of the National Panchayat (the national legislature) from the district. Members of the National Panchayat, Chairman and Vice-Chairman of the district Panchayat, Chief District Officer and Local Development Officer of the district are the members of the committee. They are supposed to visit different villages, supervise the projects under execution, and solve problems, if any.

Service Centres

Throughout the project area, the service centres are located at a substantial distance in a central point of three to four villages depending upon their size and population. These centres extend their services to the villagers. There is a supervisor in all service centres, who coordinates all the sectoral units of the centre.

Among these organisational arrangements, the IRD Project Committees and the service centres are the actual organisations which have to combat

all the problems. The remaining are mere formal bodies which do not directly contribute much in the process of achieving desired goals.

After all, the Village Panchayats are the primary politico-administrative units for local-level planning. They are responsible for implementing plan and maintaining the developmental projects. All the grassroot level plans, though filtered by the higher echelons, are supposed to be initiated from this level and also to be implemented by them. The multipurpose development worker (Village Panchayat Secretary) is the only permanent staff supported by the government. The services of other middle level technical manpower can be obtained through the service centres.

Different coordination committees mentioned above have nothing to do with the actual performance. A study team on one of the pilot projects in early 1982 realised that "a preponderance of committees at the central level is of no consequence as at the most these intermediary committees simply pass the buck".²²

PROBLEMS OF IMPLEMENTATION

Executing agencies of IRD projects in Nepal are facing a number of anticipated and unanticipated problems. Some of them are caused by the administrative factors and some are the consequences of the pattern of polity that Nepal has followed. For the identification of the problems faced by the programme at present, due regard to insider's experiences rather than the other sources will give proper justice to the programme itself. Therefore, problems discussed in this article are largely collected from the experiences of the people involved directly in the execution of IRD projects at the field levels²³ and some of the earlier evaluation study reports.

In the opinion of Dhruba Pant, the IRD projects in Nepal are struggling with the problems of coordination, ineffective handling of the projects by the political sectors (the Panchas), problems of people's participation and the line agencies' negative attitude towards the IRD programmes.²⁴

Dhungel broadly categorises these problems into two types: Policy concerned, and operational ones.²⁵

²²Prachanda Pradhan, *Report on Rasuwa-Nuwakot Rural Development Project: Evaluation Study*, Kathmandu, Development Research and Communication Group (DRCG), 1982, pp. 273-74.

²³This part is largely based on the experiences of Dr. Dwarika Nath Dhungel, gained during the execution of Rasuwa-Nuwakot IRD Project as a coordinator. These are reflected in his recent writing on "Ekikrit Gramin Vikas Pariyojanako Karyanwayanma...", *op. cit.*, pp. 25-37, and also with the experience of Dhruba Pant, an officer associated with the Ministry of Panchayat and Local Development, *op. cit.*, pp. 32-34.

²⁴Pant, *op. cit.*, pp. 32-4.

²⁵Dhungel, *op. cit.*, pp. 80-6.

Policy Concerned Problems

There is no uniformity in the programmes among the different projects. All of them are not executed exactly in accordance with the principles and priorities laid down by the *Sixth Five Year Plan*. Some of the programmes are included in all projects and some are lacking. In some cases, programme appraisal has not been prepared and the programmes to be undertaken are chalked out according to the allocated annual budget.

There is lack of coordination in annual programme formulation and its implementation as well as approval procedures.

There is no uniformity in the nature of duties and responsibilities among the same administrative organisation, i.e., Project Coordinator's offices. For, some of the offices are entrusted with total responsibilities, some are directly involved in the execution and some play merely a middle agency role. Similarly, role of the foreign advisors involved in the projects also differs from one another. Moreover, the coordinator's office has been ineffective due to the frequent changes of the coordinators and is ineffective in allocating resources and implementing projects.²⁶

There are also differences in the proportion of people's participation in the projects. Some of them are executed without any contribution from the people and in some cases, they have to contribute 25 to 50 per cent of the total project cost. This has generated a feeling of apathy among the people causing ample chances for misappropriation of funds.

Also, timely completion of the projects and maintenance of the completed ones are hindered by the procedural defects at all policy levels.

Operational Problems

The first operational problem is caused by the type of attitude existing at all levels of executive agencies. Since the agencies have their regular and the IRD programmes at the same time, they give priority to their own regular ones and the IRD programmes are regarded as additional burden. In case of failures, there is a general tendency among the executing agencies and the project coordinator's office to pass the buck to others.

Because of lack of necessary authority, coordinator's offices are ineffective and cannot help in realising the goals.

Project level offices are suffering from an acute problem of personnel. This is caused by frequent transfers of the people and cumbersome procedures to get the posts created as well as by the difficulty to provide even the granted incentives and allowances to the project level personnel.

At the implementation level, the IRD projects are facing financial problems too. This is caused by lack of timely availability of funds, cumbersome procedures and the line agencies' hesitation in adjusting expenses.

²⁶Prachanda Pradhan, *Rasuwa-Nuwakot Evaluation Study Interim Report No. 3*, Kathmandu, Development Research and Communication Group, 1982, p. 113.

A recent study on one of the projects revealed that expenditure capability of the enterprise has not noticeably changed. "Only 50 per cent of the allocated budget could be spent."²⁷ The budget analysis further indicated that allocation of major share of the budget has been used for administrative and maintenance and less resources used for programme aspects".²⁸

CONCLUDING OBSERVATION

Though the Sixth Five Year Plan of Nepal aimed at eradicating poverty through an integrated approach to rural development no specific programme addressing the poor people of the project area has been implemented till now. The programmes are scattered in so many sectors that it has been very "difficult to attack the main problem of poverty in the project area".²⁹ These problems are not peculiar in a 'soft state' like Nepal where the "policies decided are not often enforced"³⁰ and where there is always "the dichotomy between ideals and reality, and even between enacted legislation and implementation".³¹ This is a product of the political process and the administrative set-up of Nepal, which is suffering from all kinds of bureau-pathologies—such as the pathology of persistence, conservatism, growth, status, self-service, buck-passing, delay, corruption, nepotism, and favouritism.³² Moreover, the type of administration in Nepal is neither bureaucratic in Weberian sense nor totally a feudal one manned by family oligarchy alone. It is rather a feudocratic one where the hierarchy of formal authority is strongly influenced by the informal authority. Selective development is desired without any significant change in authority and power of the establishment. Though the status is based on technical competence, in a number of cases, it is superseded by the selective favours based on 'source and force'. Tenure of service is uncertain due to occasional screenings. The overall system is characterised by a system of discretion-oriented rules and procedures. Formal loyalty, in the system, is to the hierarchy but informal loyalty is to the persons occupying positions of power. Moreover, the administration of the country is based on 'centralised decentralisation' in which formal delegation is merely a theoretical one. And the total system has

²⁷Prachanda Pradhan, *K-BIRD Evaluation Document No. 3: Institution Building Activities*, Kathmandu, 1984, p. 89.

²⁸*Ibid.*

²⁹*Ibid.*, p. 90.

³⁰Gunnar Myrdal, *Asian Drama: An Inquiry into the Poverty of Nations*, London, The Penguin Press, 1968, Vol. 1, p. 66.

³¹*Ibid.*, p. 277.

³²Madhab Prasad Poudyal, "Bureau-pathology in Nepal", *Public Administration Journal*, Vol. IV, No. 1, Kathmandu, PAC Tribhuvan University, May 1981, pp. 24-37.

produced a distorted authority-responsibility relationship.³³ Beside the existence of frustration among the civil servants procedural, political and corrupt environmental barriers existing within the country are also equally responsible for the present state of affairs.³⁴ The Feudocratic elites in Nepal "do not seem to be animated by values favourable to the process of change and innovation that are essential for the attainment of desired developmental objectives of the country".³⁵

It is also obvious that the IRD plan has overlooked the administrative elements and just created the nonsense committees; for, there is no adequate provision for administrative development. It has just outlined economic and social targets but has not contained any guidance on the problems concerning the administrative machinery necessary to carry them out. Thus, naturally, the imbalance called 'administrative gap' or 'implementation gap'³⁶ is bound to be there. If the plan fails to achieve the desired goals, visualising its noble objectives and the amount of money aggregated through different grants and bilateral and international loans, lay-man can just make an offhand comment that the plan was good, but implementation was bad. But the fact is that "a plan cannot be good if it cannot be implemented or if it does not contain a plan for developing administrative capability essential for its implementation".³⁷ After all, it is the administrative machinery which has to undertake the responsibility for implementation. If the fact fails to get proper consideration, the IRD goals will not be achieved as expected and the donor agencies also will be helpless with the Nepalese state of affairs. Ultimately, policy makers and the persons in the positions (as well as in the periphery) of power will have to accept the title of 'native industrialist' of today's 'poverty industries'³⁸ developing rapidly throughout the world.

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³³For further information about the feudocratic model see Govind Ram Agrawal, "Project Management Model for Effective Management Development", Govind Ram Agrawal (ed.), *Emerging Concepts in Nepalese Management*, Kathmandu, Centre for Economic Development and Administration, 1982, and Agrawal, *op. cit.*, pp. 6-9.

³⁴Madhab Prasad Poudyal, *Public Administration and Nation-building in Nepal*, Delhi, NBO Publishers, 1984, pp. 95-97.

³⁵Agrawal, "Project Management Model for Effective Management Development", *op. cit.*, p. 434.

³⁶Department of Economic and Social Affairs, *Development Administration; Current Approaches and Trends in Administration for National Development*, New York, United Nations, Sales No. ST/ESA/SER, E/3, 1975, p. 63.

³⁷*Ibid.*

³⁸The term, "poverty industry" was used by the famous economist Milton Friedman. He is of the opinion that "much of the money spent on such programmes (poverty eradication) never trickles down to the poor. It is diverted on its way into the pockets of the well-paid civil servants who administer the programmes, the well-paid consultants who study the programmes and the private enterprises that take advantage of them. This poverty industry, not the poor, has lobbied most effectively on behalf of these programmes". Milton Friedman, "Newsweek on Poverty", *Newsweek*, April 19, 1982, p. 4.

IRDP in Rajasthan—A Bonanza or a Challenge for the Banks?

Bhupendra Hooja

AT LEAST in terms of coverage, the Integrated Rural Development Programme (IRDP) has meant a big bonanza for the banking sector in Rajasthan, including both commercial and cooperative institutions. The main emphasis of the programme, though it is called 'integrated' seems to have been on providing loan assistance, with a little bit of technical guidance and government subsidy, to deserving families "below the poverty line". Thus, over a span of about six years from 1978-79, nearly six lakh families have been identified and provided with benefits.

Certain economic activities in farming, dairying, transport, trade, business and service sectors, largely based on individual efforts and enterprise, have been identified in the rural areas for which, according to certain pre-determined or mutually agreed limits or basis of understanding and calculations of viability, commercial loans are provided by the banks with subsidies by the government, in the hope or expectation that within a year or so, each and every benefited family will be able to find its own feet and begin to earn a reasonable amount in the changing rural society.

Antyodaya and IRD Programmes

This new approach for providing assistance to 'special target groups' amongst the weaker and poorer sections of society, flowed from the fore-runners of the IRDP programmes for small and marginal farmers initiated in 1971. For these programmes, Small Farmers Development Agency (SFDA) and the Marginal Farmers and Agriculture Labourers (MFAL) organisations were created at the district level to channelise credit and other facilities, including technical guidance or inputs, to properly identified small and marginal farmers or agriculture labourers. These special agencies (SFDA and MFAL) served as agents of change and contact points between the target groups and the credit agencies as well as the state authorities. When emphasis shifted towards a more 'populist' approach for eradication of poverty, it was realised that there were other weaker sections of society besides small or marginal farmers or agricultural labourers, waiting on the side-lines, who also deserve to be brought within the fold of such benefits, even through 'non-farming' activities. Thus, under the broad and a widespread umbrella of an 'integrated' rural development

programme, it was sought to cover more and more sections of the rural unemployed or under-employed persons and other poorer or weaker sections of society, particularly those who had no land-holdings worth the name and who, mainly or largely, depended upon their own personal or professional skills, or were otherwise connected with rural arts and crafts or cottage industries.

In Rajasthan, and later on in some other states, this programme was launched under the popular slogan of *Antyodaya* which literally means "the uplift of the last person" in the society. Its approach and the strategy was to identify at least five poorest families in each and every village (Rajasthan has more than 30,000 villages in all) and help them select suitable local activities for augmenting their incomes through programmes or approved schemes on the lines of the SFDA, MFAL, etc. Such selected families were also helped with other kinds of assistance such as allotment of available government lands, sanction and disbursal of old age pensions, employment in the government sector, allotment of small mining or quarrying leases, etc.

Coverage

For implementing the *Antyodaya* programme throughout the state and in the areas where no SFDA, MFAL or DPAP type of agency was available, suitable 'agencies' on similar lines were established. At the same time, the structure of the Panchayati Raj institutions particularly, the Gram Sabhas and village panchayats were activated and associated with the official agencies or authorities of the state, mainly for identifying suitable deserving candidates for bank assistance and government subsidies. These institutions were also involved to ensure that assistance reached the doorsteps of the deserving families with the least delay and without the usual bureaucratic hassels. During the two and a half years of the Janata rule, much ground was covered. Many procedures and attendant problems of all supporting institutions were sorted out, so that the programme could be given a definite direction and a measure of continuity.

Subsequently, this *Antyodaya* approach became a starting point or 'legacy' for the on-going and continued programme of IRDP in its integrated concept.

Beginning with 7,586 beneficiaries, who received loans totalling Rs. 1.75 crore and subsidies of Rs. 73 lakh in 1978-79, the programme grew by leaps and bounds and in 1980-81, it covered 82,684 families with Rs. 20.93 crore mobilised as loans and Rs. 11.15 crore as subsidies. A still higher range of coverage has been achieved and maintained during the last three years, with 1.22 lakh, 1.83 lakh and 1.51 lakh families getting Rs. 23.41 crore, Rs. 31.42 crore and Rs. 28.94 crore respectively by way of loans, and subsidies amounting to Rs. 15.95 crore, Rs. 22.13 crore and Rs. 20.21 crore respectively.

The programme revolves round local-level economic activities, such as agriculture, minor irrigation through wells, etc., animal husbandry and

dairying which have great scope in the context of Rajasthan, local transport, rural arts or crafts and multifarious services in the trading or business sector. The approach has also remained the same, *viz.*, of identifying families below the poverty line such as small or marginal farmers, agriculture or non-agriculture labourers, rural artisans or craftsmen, Scheduled Castes or Scheduled Tribes; and to support them with bank credit up to some approved limits, appropriate government subsidies and (occasionally) a measure of technical guidance or essential training, if need be, to help them improve their skills or management faculties for various types of enterprises they may choose to start.

About 3,000 families are proposed to be covered in five-year period in every Panchayat Samiti or block. They are helped to acquire suitable or necessary economic and productive assests, such as bullock-or camel-carts, units of sheep, goats or other milch cattle (20 sheep or 10 goats or one or two cows or buffaloes), pump-sets, etc. They are enabled to establish tea-shops or shops of general merchandise or to acquire necessary tools and equipment for leather work, handlooms and a variety of such traditional occupations.

This programme goes hand in hand with the programme of training of rural youth for self-employment (TRYSEM), which focuses on rural youth, who have a tendency to migrate to the urban areas in the absence of sufficient and satisfactory job openings in their villages. Through acquiring skill in some new and appropriate branch of rural technology, they can hopefully establish themselves in the rural settings as trained mechanics or skilled personnel engaged in various other types of services, such as repair of pump-sets, tractors, etc., or start local crafts or cottage industries, or undertake jobs like that of a motor mechanic or many other traditional or (even) non-traditional jobs.

Besides horizontal spread and extension of the programme, another interesting and comforting feature has been the ever-increasing coverage of families belonging to Scheduled Castes (SC) and Scheduled Tribes (ST). In the first year, 42.12 per cent of the beneficiary families belonged to SC and ST categories of population. In 1979-80, their coverage had improved to 45.23 per cent and the following year, it was 52.26 per cent. The next two years, *viz.*, 1981-82 and 1982-83, the SC and ST coverage was 57.36 per cent and 57.00 per cent respectively. And in the year 1983-84 also, about 55 per cent of the beneficiaries have been estimated to belong to these traditionally under-privileged sections of society. Considering that the overall combined percentage of SC and ST population in the state is about 28 per cent, this persistent trend of a proportionately higher coverage indicates that benefits are reaching the hitherto neglected and indeed more deserving persons amongst the economically weak and the backward.

Another notable feature or welcome indication has also emerged from the various types or categories of activities for which loans have been applied

for by the identified families and sanctioned by the banks.

The main emphasis has been on schemes relating to animal husbandry, such as acquisition of adequate or approved number of sheep, goats and other milch cattle. Except in 1981-82, when their percentage came down to 36.64 or in 1979-80 and 1982-83 when it was slightly above 40 per cent; during all other years, it has been above that figure touching 45.65 in 1983-84 (up to December, 1983).

In case of agriculture, the figures have fluctuated between 9.79 per cent in 1978-79 down to 6.99 in 1980-81 or 7.05 in 1982-83 and an all-time high of 10.65 in 1983-84 (up to December, 1983).

In case of minor irrigation (wells or pump-sets, etc.) there has, however, been a steady fall from 22.18 per cent in 1978-79 to the lowest ever 3.54 per cent in 1983-84 (up to December, 1983). Of course, in absolute numbers, perhaps there has been no drop, because in the meanwhile, the coverage has also grown and expanded.

Emerging Trends

The real and more steady or marked growth, and emergence of a definite pattern has been in the so-called 'non-farm' sector of cottage industries or crafts, transport, small or petty business, trade and service or repair facilities. The percentage of coverage has risen from 24.39 to 29.88, 30.91 and 41.57, and 44.90 per cent in 1982-83 with a slight setback and drop to 40.16 per cent in 1983-84 (up to December, 1983).

These percentages and trends bear testimony to the gradual diversification of activities and patterns of preference amongst the beneficiaries away from the 'farm sector' to transport or industry, trade or business and servicing sectors. These activities are more commercial or industrial, more market-oriented and more significantly connected with the processes of modernisation.

A number of monitoring and evaluation reports or impact studies conducted by various institutions or academic and official organisations, including the banks involved, have also confirmed the same story. Variations have been mostly due to the socio-economic potentials of the areas concerned.

For example, as per an evaluation by the State Bank of Bikaner and Jaipur, of 268 beneficiaries in 65 villages of two Panchayat Samities of Bikaner district revealed that 92 (out of 268 families or 34 per cent) were landless; and amongst all these beneficiaries, 29 per cent had opted for camel carts (ideally suited for that desert area), 22 per cent for bullock carts, 22 per cent for sheep units (again ideal for local conditions), and 4 per cent for cows and buffaloes (maybe, they were influenced if not prompted by the existence of the Bikaner dairy). Most of the beneficiaries had their assets with them at the time of the survey, and had recorded definite improvement in their incomes, so that many of them could repay the bank instalments regularly (24 per cent) or on partly regular basis (36 per cent). It goes without saying that perhaps

the banks and their local or field officers found it more attractive and assuring to extend loans for (or against) possible physical or tangible assets.

According to a Punjab National Bank Study in Alwar district (371 families randomly selected in 40 villages of four blocks or panchayat samitis), the activities financed were all 'bankable and viable'; the assets purchased were of good 'quality'; and in 84 per cent cases, they were found with the beneficiaries.

Another evaluation done in 31 villages of four blocks of Bikaner district, selected on a random basis, revealed that out of 248 benefited families, 167 (27.34 per cent) belonged to the Scheduled Castes. Their sectorwise break-up of assistance received was: agriculture—87 families; animal husbandry—64 minor irrigation—32 and tertiary sector—6.5 families. About 80 per cent of the surveyed families had their assets in their possession, while 17 per cent had them (assets or animals) in part possession.

Covering 9 blocks in four sub-divisions of Jaipur district, a survey of 380 beneficiaries in 73 villages, carried out by the Institute of Development Studies, Jaipur, indicated a 60.5 per cent coverage of SC or ST families. Out of 380 beneficiaries, 251 (56 per cent) were agricultural labourers or artisans; 67 (17.6 per cent) were marginal farmers and 62 (16.3 per cent) small farmers. Except in the case of milch cattle, most other assets were in physical possession of the beneficiaries. Thus, 84 per cent of small farmers, 67 per cent of marginal farmers, 50 per cent of agricultural labourers, or 65 per cent of all categories taken together, had their assets with them. In all, 89 (or 41.2 per cent) out of 216 beneficiaries who had utilised their loans and subsidies could manage to cross the 'poverty line'. About 80 per cent of the families had gone in for camel or bullock carts or bullock pairs, and rural artisans were also amongst this group.

In the 'tribal' district of Dungarpur, a study showed that out of 191 families covered in the survey in 40 villages of five blocks, 61 per cent belonged to Scheduled Tribes and 32 per cent to Scheduled Castes. Sectorwise, they had opted for animal husbandry activities (69), agriculture (67), minor irrigation (7), and rural artisan trades or in petty trade, etc. (48).

Out of 303 beneficiaries surveyed by the Kumarappa Gram Swarajya Sansthan, Jaipur, in 55 villages of eight Panchayat Samitis of Jaipur district, 149 (49 per cent) were rural artisans; 46 (or 15 per cent) had no land; 90 (30 per cent) had land less than two acres each; and only 18 (or 6 per cent) had more than two acres of land. Out of them, 298 families had been sanctioned loans for the following activities: animal husbandry (186) means of transport or a cart, etc. (60), cottage industry (42), and petty shops or business (10).

A recent (April 1984) rapid but statewide monitoring survey conducted by the Special Schemes Organisation, the main sponsoring or coordinating agency for IRDP activities at the government level, covered a fairly large sample of 1,306 families. In every district, at least four Panchayat Samitis were

visited to cover 50 families who had benefited during 1983-84. The data revealed that 545 (or 41.73 per cent) beneficiaries belonged to Scheduled Castes and 94 (or 7.20 per cent) to Scheduled Tribes. The ST coverage was obviously much less than the percentage (12 per cent) of their population in the state, while SCs were covered in much larger numbers than their proportion in population (16 per cent). Labourers and rural artisans constituted a major group (434) besides small farmers (189) and others (125).

Their preference seemed to be for two main sectors of activities, viz., transport, and ISB (industry, service, business) sector (651) and animal husbandry (608). In these two broad groups, the varied types of activities chosen were equally revealing. Thus, in the transport and ISB sector, 430 persons had opted for ISB type of units or activities such as tea shop, grocery shop or repair shop or leather work and carpentry; 129 had gone in for camel or buffalo carts; 82 for bullock carts and 10 for 'horse-tongas'. Under animal husbandry, 302 beneficiaries had selected she-buffaloes and 59 had opted for cows; 126 had opted for goat units; 115 for sheep units and only one for poultry. In agriculture, 48 beneficiaries got pairs of bullocks and under minor irrigation, two had gone in for wells and two for pump-sets.

This diversification with growing interest in ISB type of activities is an encouraging development. Physical assets were in the possession of 121 families or 93 per cent of the families. Cases of non-possession of assets were more in 4 or 5 districts, mostly in the desert (Barmer 25 per cent of defaulters), Sikar (18 per cent), Ganganagar (17 per cent), Jhunjhunu, Jodhpur and Pali (15 per cent) or in the tribal area (Dungarpur 31 per cent); and particularly in respect of animal units (57 cases out of total 96). Obviously something needs to be done to ensure that physical assets, particularly animals, remain in possession of the beneficiaries.

Only 190 reporting families have not shown any addition to their incomes; but most of them had benefited only in March 1984. Others revealed additional incomes ranging from Rs. 100 to 400 per month. The higher range of incomes accrued from transport (carts, etc.) followed next by petty shop-keeping, business or trade or repairs, etc., while sheep and goat units added between Rs. 200 to 300 per month and between Rs. 100 to 200 per month accrued from milch cattle.

ROLE OF BANKS

From the banking angle, this statewide monitoring review, as also other evaluation studies, brought out some fairly encouraging reports or favourable trends—first, with regard to proper utilisation of loans, second, in terms of assets acquired and the net accrual of additional incomes to the families of the borrowers, and, lastly, though perhaps from the point of view of the banks the most important aspect, the regular manner in which the loan instalments are being repaid. Almost all evaluations brought out this fea-

ture. And in the case of the latest monitoring by SSO staff-officers, it was noticed that in all 3,721 instalments were due for payment by the surveyed families, though the total amount was only Rs. 4.02 lakhs. Against this, nearly 70 per cent instalments (2,618 in number) and 70 per cent of the due amount (total Rs. 2.87 lakhs) had been paid back to the banks by the borrowers.

In fact, a disconcerting fact also revealed that in quite a few instances, perhaps due to miscalculations or perhaps with a view to reducing their future risks and safeguarding their loans, the banks were recovering instalments at enhanced and even exorbitant rates. Since IRDP loans come in the category of medium-term or long-term loans repayable in 5 to 9 years, recoveries ought to have been made at reasonable rates in monthly instalments over the total loan period, at the most or at the earliest in 60 instalments over 5 years. But many instances were brought to light in which the monthly instalments were two to three times and in some cases even 4 to 5 times more than what they should have been.

It has also been observed in the past that sometimes, when the subsidies are released through the banks on their confirmation that assets have been purchased or acquired, the banks have tried to adjust these amounts against the payment of a few instalments of bank loans which may fall due for recovery after some time. Banks were also adopting certain practices as a result of which the relief of the subsidy element was not passed on to the borrowers; and the repayment instalments had been pitched up quite high.

Banks were also asking for individual or group 'guarantee' for loans up to Rs. 5,000 which is not necessary as per existing guidelines. Similarly, in case of tertiary sector (ISB) activities, though detailed unit costs were agreed to, in many instances only petty loans to the extent of Rs. 500 or Rs. 1,000 only were being extended for tea shops, grocery shops, etc.

Some of these operational problems need to be resolved.

Operational Problems

Though many skilled and semi-skilled rural youth (as also some of their urban counterparts, placed in similar situations, have benefited from similar programmes for their training and self-employment or the SETUP) get necessary loan assistance from the nationalised and other commercial banks or from the Regional Rural Banks, it is the IRDP coverage of individual beneficiaries which is more widespread and 'universal'—nearly six lakh beneficiaries since 1978-79 have become long-term clients or customers of the banks. This achievement is a major gain for the concerned banks, as also a challenge for management and servicing facilities.

According to a recent review note prepared in June 1984 for the half-yearly meeting of the State Level Bankers' Committee, there were in all about 4,54,795 accounts with the various banks (all under the 20-Point Economic Programme, of which IRDP constitutes the main plank). Out of these,

more than three lakh accounts are with the commercial banks, the beneficiaries (having availed of a total sum of Rs. 118 crores by way of loans. Nearly 1.45 lakh accounts are being serviced by the various branches of more than half-a-dozen Regional Rural Banks with their loan portfolios adding up to a fairly respectable amount of Rs. 33.63 crores. It may be noted that while the Regional Rural Banks are less than a decade old, extension of loans by commercial banks in the rural sector started after the social control policy of 1967 and the nationalisation order of 1969.

No doubt, these achievements are quite impressive for a set of institutions which were once 'shy' of the rural areas, or had no business base there, and which do not have a proper rural orientation even today. There can also be no doubt that, but for the state government and the NABARD (National Bank for Agriculture and Rural Development) or its predecessor, the Agriculture Refinance Development Corporation (ARDC) acting as major catalytic and sponsoring agents, such a tie-up would not have been possible between the commercial or regional banks and their rural beneficiaries, much less on such a large and wide scale.

Left to themselves, these rural families would not have been able to find any access to or get any favourable and integrating response from the SC banking institutions. At least, the coverage would not have been so large and widespread. Perhaps most of the beneficiaries would not even have been aware of the existence of such credit institutions or the programmes or schemes for which they could draw loans from the commercial/cooperative banks or rural banks newly opened in their neighbourhood.

Similarly, left to the credit institutions, perhaps they would not have dared to venture out in such a big and ambitious way to identify and assist such a large number of deserving families from remote and distant corners of the state and in such a multifarious variety of local activities, trades and occupations. Nor would have these banks been encouraged or motivated to open more and more rural branches. There is no denying the fact that the state authorities, right from the state government level down to the ground or the 'field' level through their various organisations or institutions, have played a very significant role in providing points of contact or acting as bridges between the credit agencies and the beneficiary borrowers. In the process, many legal or procedural hurdles have been crossed; many viable or bankable projects and activities have been identified; and many other strategies or field level tactics evolved to reach out to thousands of beneficiaries in one go, in annual or more frequent identification or loan sanctioning campaigns or camps. Thus, whereas credit has come almost to the doorsteps of the borrowers, the banking institutions have also been spared a lot of initial but necessary and tedious groundwork, besides expenses on promotional activities or credit survey costs and credit risks which they might have had to incur or face in the absence of the government agencies coming to their help and acting both as their guides and guarantors.

Mutual cooperation and coordination of efforts have brought about a congenial and cordial atmosphere of inter-dependence so that many government schemes for socio-economic uplift of the weaker sections of society have reached the stage of take-off even in the absence of government funds. On the other hand, the banks have been able to put their funds (deposits, etc.) to some proper and worthwhile use in promotional and productive enterprises by lakhs of beneficiaries. Perhaps one of the social objectives of bank nationalisation almost 15 years ago is being thus realised to a substantial extent. Let us see the other side of the picture also. Under these and other various government schemes, loan applications continue to be 'sponsored' mostly, if not entirely, by the district or field-level agencies of the government with some help and guidance of some active local representatives of the people. Herein, perhaps, lie the seeds of future trouble or portents of dangers for the banks. They tend to show very little initiative or enterprise; but seek all sorts of administrative and legal support from the official machinery. They (or their field-level workers or development oriented staff members), despite becoming somewhat attuned to problems of rural areas and the local needs, have perhaps yet to become fully 'responsible' for rural development banking. They have not shown much independent effort. They seem to be 'led' by others, *i.e.*, the government set-up has developed a sort of 'dependence syndrome' which may not be easy to overcome.

Dependence Syndrome

There are disturbing signs in their tendency to show total dependence on the official machinery not only in respect of loaning operations for identifying suitable or deserving beneficiaries or in the cumbersome work of documentation, but also in fixing limits of credit per unit or the choice of schemes or activities for which loans can be sanctioned. They seek all possible safeguards to protect their advances, as also recoveries of outstanding loans. This has become one of their repeated refrains in the district or state level (and perhaps national) coordination committee meetings with government representatives.

On the basis of his personal knowledge and experience gained through very close and active contacts with the local/regional or even national level bank representatives during the early transitional period of social control and nationalisation, from 1967-69 and from 1969 to 1973-74 and maybe a little while later too, this author can say that there was a greater display of initiative, flexibility and innovativeness in the operations of the local banks at that time than in the subsequent or the present phases when most of the arrangements have come to be formalised and institutionalised into set routines or pre-set patterns and procedures. Now, if some changes in the patterns or procedures are required or appear desirable, or there are pressures of the local authorities or state representatives for more or better response, the bankers usually plead their inability

to oblige and deviate from the set lines, on the plea that such matters need to be taken up or sorted out at the higher (national) level. Such straightening out or 'regimentation' of loaning procedures, etc., also indicates growing stress on uniformity or 'centralisation' and eventual 'bureaucratisation' of the banking system on the plea of coordination and rationalisation.

Some other unpleasant and unfortunate aspects of the 'dependence' syndrome get accentuated or sharpened when it is linked up with the fixing of high and ambitious targets followed up with frantic efforts to achieve them under all circumstances. Though elaborate system of 'coordination' and exchange of information has been slowly built up, and it does bring about much desired cooperation and collaboration between all agencies (including the banks) at various operational levels, the system has not yet evolved or perfected its safeguards against the presence or role of unscrupulous 'middlemen' or 'intermediary agents' or 'touts' representing not only their own petty or selfish interests, but more often other well-organised caste-bound or commercial (and competitive) and even political interests.

Bank is No Government Department

For the bulk of beneficiaries, the loaning drives are officially-sponsored campaigns, of which the bank is a component like any other government agency. In other words, the common man views it (a bank) in no way different from a 'service' or 'department' of the government. For him, the bank loans are also not much different from the old government *taccavis* or cooperative loans, which (as per widespread feeling often spread or inculcated by local political workers) need not be paid back on time or in full as ultimately some of these can (will) be written off by the government. In some really bad cases of recovery of overdues, when the banks have to initiate legal action or take recourse to the local revenue authorities for their executive help, such feelings get further confirmed.

The banks have to register this impression on the common man's mind that they have a 'separate or distinct identity' and 'code of discipline', particularly when recoveries are involved. They have to win the trust and confidence of the people. They have to come forward to serve their customers on their own resourcefulness rather than relying on the government machinery for help and favour.

There are also many pitfalls or traps that the banks have to guard against. They have to be vigilant against unscrupulous elements or professional intermediaries. They have to keep in check their excessive zeal in pursuit of targets. Further, they (the development officers and other field level workers of the banks) must get to know well their clientele and respective areas of operation. They have also to build up a proper and helpful outlook and create an efficient set-up for a 'prompt but vigilant customer service'.

Their own experience and intimate knowledge of the local area will tell them how much trust they can repose in their clients and to what extent or to what limits or conditions they should extend the credit limit. But for all that, it is necessary and desirable for them to wean themselves away from the apron strings of the state government. Gradually, the banks must learn to do without the crutches of the official machinery.

They must learn to show initiative, flexibility and some daring or courage to cover the needy and deserving applicants, and even to take reasonable risks. At present, most of rural banking and actual field operations seem to have become routine activities initiated and engineered from outside the rural milieu with no challenge whatsoever for the more resourceful and enterprising functionaries except the targets under the so-called 'priority sectors'. They are not really involved in the development process at the village level. They are covered by guarantees of all sorts, refinancing facilities from the NABARD and credit insurance, besides the help or support they get and have now come to expect (almost as their right) from the state government and local authorities.

The trends and the dangers which have been spelt above may not have surfaced in a bold and clear manner as yet in respect of all credit institutions involved in the IRDP operations. But they seem to be lurking under the surface. Their magnitude or reality become somewhat overwhelming when we look at the total field of banking operations in the rural areas of the state, and the limited manpower resources (often untrained raw hands with strong grounding in the rural ways of life) and the span of their organisational efforts.

Bank Credit for Other Schemes

Besides IRDP, the banks are also providing credit facilities for many activities most of which (perhaps almost all) are state sponsored and duly backed by government subsidies and administrative support. These efforts have also widened the socio-economic base of banking operations in rural areas. Enumerating some of these activities, we may briefly refer to some schemes allied or akin to IRDP or in the pursuance of which similar strategies and organisational or operational devices (*viz.*, identification of beneficiaries and official sponsorship followed by credit camps, etc.) are being followed:

(i) **SETUP** (or the programme for self-employment and training for the urban poor)—This programme is being operated in 11 towns and cities of Rajasthan, each with a population of more than one lakh. During 1983-84 (up to March, 1984) 12,312 families were identified against a target of 16,608. Against the proposed target of 5,900 families to be benefited, in all 9,349 applications were sponsored and 2,829 were sanctioned loans, but only 2,983 families were disbursed loans totalling Rs. 61.46 lakhs. Most of the beneficiaries belonged to Jodhpur (498) and Udaipur (413) followed by Kota

(290), Alwar (250), Sikar (205), Bikaner (130) and Ganganagar (103). In Bharatpur, Jaipur, Bhilwara and Ajmer the response and achievement was very poor.

(ii) TRYSEM—In fact, this programme for urban youth seems to have been evolved in the wake of and on the pattern of the programme for Training of Youth for Self-employment (TRYSEM) which is an important component and feature of IRDP.

(iii) SEEUY—While SETUP is confined to urban centres and TRYSEM is for the training of the rural youth, this scheme is for the benefit of educated unemployed to help them gain benefits or assets for self-employment. Announced by the Prime Minister Smt. Indira Gandhi in her Independence Day speech, on August 15, 1983, it has wider horizons. It covers all areas, both rural and urban, in all the districts. As on March 31, 1984, applications of 23,414 young persons had been sponsored under the scheme, out of 1,13,878 applicants or 24,359 persons were selected and short-listed for bank assistance according to their merit or prescribed conditions. Loans totalling Rs. 23.65 crores were sanctioned for 15,054 persons and a total amount of Rs. 15.02 crores disbursed among 10,691 persons. Even this 50 per cent achievement is quite significant. This also reflects the process of screening or sieving through which the applications have to pass and the nature or dimensions of the official (mostly in the industrial sector) and bank staff efforts, both routine as well as developmental, at least in terms of motivation and mobilisation.

(iv) *Rural Housing Scheme*—This scheme for the poor is another fairly new activity which is being now supported by the commercial banks. The beneficiaries belong to SC and ST families. It is indeed encouraging that 10,162 families were sanctioned loans (against a target of 10,000 and 13,105 sponsored applicants) and 8,228 were actually given loans totalling Rs. 27.54 crore up to the end of March, 1984.

(v) *Schemes like Bio-gas Plants*—Even in respect of the operationally difficult and challenging scheme like installation of bio-gas plants, 9,764 applications were prepared, 5,635 were sponsored and 3,024 sanctioned. Eventually loans were disbursed to 1,174 applicants during 1983-84 (up to March, 1984).

(vi) *Schemes for Subsidising Agricultural Inputs*—Another addition to these activities is the scheme for subsidies and assistance to small and marginal farmers for agricultural inputs which has had a good response in the state during the last and recent crop seasons.

(vii) *Group Schemes*—In addition to these credit facilities and subsidies, etc., for individual beneficiaries, the state government (its Special Scheme Organisation) has also sponsored in all about 750 Group Schemes of mid-term duration covering a variety of development activities, such as minor irrigation (including pump-sets and lining of water channels), rural electrification, land development (including command area development), dairy

development, farm mechanisation, dryland farming, horticulture and silviculture, pisciculture and the like. These are treated as 'area' or 'group' oriented schemes for which banks, including the cooperative banks, get refinance facilities and the state government (SSO) establishes special project implementation agencies or field organisations. In the process, thousands of beneficiaries have been covered since the various schemes started.

Trends in Bank Credit

Thus, over the years, the coverage and range of activities for credit support have been growing and assuming wider and wider dimensions both in terms of the geographical area covered and the various sections particularly the economically weak and backward sections of society.

At least two or three broad trends have also come to surface. Most of these schemes or activities are still confined to or prominently based in the so-called 'potential' areas or areas endowed with favourable natural and physical resources in terms of land, water or favourable agro-climatic conditions. Secondly, the bank credit has had an easier or quicker flow in schemes or activities of medium or long-term involvement, say, between 3 to 7 years duration, especially where through such assistance, tangible and visible (if not solid or encashable and resalable) assets can be (or proposed to be) built. Beneficiaries have also been largely from among the more affluent or resourceful, vocal and enlightened or organised members of the community if not the elites, both in the rural and urban areas. This has been so where the banks have been left to manage things on their own though the Government of India and the Reserve Bank have been advocating and laying down policies and programmes for the hitherto neglected or by-passed sections of society. For the weaker or comparatively more backward sections (as for backward areas) active supports and sponsoring efforts of the official machinery and the responsiveness of local representatives have been the keys to achievement or conditions of success and failure.

Some Shortcomings

In this context, it is quite significant and perhaps a discouraging feature of the widespread rural credit network that the commercial banks have not yet been able to make any big effort, in respect of short-term credit, particularly seasonal or annual crop loans for pesticides and fertilisers or seeds, etc. Their participation in this sphere or recurring credit support has been nominal, rather of a token nature.

But for the burden of short-term crop loans being bravely borne by the cooperative structure, in spite of all its stresses and strains, most of the cultivators would have been (or would be) denied of essential credit facilities for their production efforts, and perhaps they would have to run to the local

money-lenders and other affluent or rich agriculturists-cum-moneylenders as they seem to do for their so-called consumption needs. This lacuna or weakness in the rural credit structure of the commercial banks is very serious and needs to be overcome. The sooner the better. The Government of India, the Reserve Bank of India and the NABARD have also been made aware of this deficiency, again and again, but the scene has not changed. For the year 1984-85, out of an overall target of Rs. 166.33 crore, the commercial banks, with their hundreds of branches and lakhs of rural clients have got a share of only Rs. 21.21 crore of short-term credit. Their target is rather low as compared to the estimated quantum of short-term investment needs by way of inputs for seasonal crops. According to an estimate by the SSO, a minimum investment of Rs. 400 crore is required in the state for this purpose.

Perhaps one reason for their shortcoming seems to be that in this sphere of activity, the commercial banks have been left to exercise their own initiative discretion and their own devices. In many cases, in the absence of facilities for crop insurance, many of the bankers or field staff of the banks, would perhaps not feel happy or comfortable with regard to crop loans. But during recent years, during 1983 and more recently in 1984, special drives have been launched in Rajasthan, as in other parts of the country, to arrange for and tune up the delivery system of various inputs through "Agricultural Fortnights or Months". Though all the results have not yet come out, it is to be hoped that the banks have shown a better account of themselves by mobilising and allocating more and more credit for agricultural inputs.

At least they can make a substantial contribution, if they can manage to overcome the short-term needs of their lakhs of clients whom they have been serving under the various other mid-term credit schemes and to bring many others within their banking fold especially in the areas or blocks earmarked for their operations. The various Lead Banks in the state have a special responsibility in this regard.

However, these activities and campaigns seem to indicate the wide range of opportunities and challenges before the rural banking sector. This also emphasises the need for proper and smooth coordination between the various types of credit agencies, such as commercial banks and their Regional Rural Banks and the cooperatives, and between themselves within a district or a block. That is where the strategy of preparing district credit plans or the device or coordination committees, the role of Lead Banks as well as the development machinery of the government have to prove themselves.

It is also worth reconsideration whether we need all these three alternatives, though mutually complementary but sometimes competitive channels of rural credit, viz., cooperatives, commercial banks and their sponsored Regional Rural Banks. Or can their activities and identities be merged?

Support by State Machinery

There is no doubt that involvement of the state official machinery and participation of popular representatives at the Panchayat and Panchayat Samiti levels has made the burden of the banking institutions somewhat lighter and easier than it would have been otherwise. We can only imagine the nature or the shape and dimensions of the exercise required if the banks or their field staff had to identify and approach each one of the beneficiaries on their own resourcefulness and initiative. The banks have also been saved a lot of promotional and preparatory effort. Because of all field agencies working in concert and for a common goal, and paving the path for the credit agencies, it has also been possible to extend the coverage in a phenomenal manner and in a short time. But there can be no doubt that the load of numbers (of applicants and loanees) has also caused a heavy and serious strain on the limited organisational resources or servicing capacity of the banks working in an environment with which they are not quite in tune. The unprecedented expansion of their network and staff has also created quite a major and continuing challenge for the bank managements, and operators at various levels. Perhaps quantitative achievements have been gained at the cost of quality and the operational costs of services and with a general fall in standards of control and discipline.

In the entire process of loaning, almost all the basic ground work is done by the local revenue or Panchayat Raj agencies. Thus, the deserving or needy families are located and identified on the ground of their family income assessment. Their choice or preference for different types of economic activities based on their aptitude or experience is ascertained. Then to speed up the operations, loaning camps are held at suitable intervals and places where the borrowers and the banks or their development officers and field staff come face to face with each other. Meanwhile, credit limits for various types of viable or bankable schemes or activities have already been determined, mutually agreed and prescribed through discussions between the banks and the government at the top level (by the SSO in the case of Rajasthan).

With all that having been done, the bank officials have only to scrutinise or process the loan application, satisfy themselves as to the identity, purpose of loans and payment capacity of the borrowers and then sanction the loan and release the amount as soon as a particular type of asset has been acquired or purchased, for which again, as in the case of purchase of cattle or other animal units, special purchase camps are held, if local markets or cattle fairs are being held in the neighbourhood. Purchase committees comprising of local experts, once again, lighten the burden or responsibility of the banks.

And yet, as has been seen, sometimes there are considerable time-lags between various stages of the loaning operations. Many loans are sanctioned or released towards the close of the year, while many applications are left pend-

ing even then. Further, as indicated earlier, the very span of numbers and the scattered way in which the borrowers live or go about their work, create many problems of logistics for the banks. They cannot supervise the field work or verify utilisation of the loans. There is the additional problem of finding suitable number of qualified or experienced field staff willing to work for the banks in the rural environment. And then the staff has got to be trained not only in banking laws, policies and procedures, but also in regard to the local revenue laws or social customs, besides socio-economic and cultural patterns. By no means are these tasks easy.

Challenges

This growing challenge is reflected in the growth data pattern of the banks. But we may first have a look at the size of the operations in a year, during 1983-84.

According to a recent estimate (prepared at the time of the June, 1984 meeting of the State Level Bankers Committee) during the year 1983-84 (up-to March, 1984) various rural branches of the nationalised commercial banks could disburse loans to the tune of Rs. 9.10 crore to 68,215 persons under IRDP/20-Point Economic Programme, while the 9 Regional Rural Banks and their branches covered 30,388 persons with loans aggregating to Rs. 6.40 crore. On the other hand, the Rajasthan State Cooperative Bank and its affiliated Central Cooperative Banks (CCB) served 19,522 members with loans totalling to Rs. 3.94 crore.

This accounted for 1,18,125 accounts out of nearly 1.50 lakh persons covered during the year. According to another report, at the end of June, more than 50,000 applications of deserving persons, identified earlier during the year, were still pending with the various banks. (These were proposed to be covered during the early part of current year.)

The workload of the banks, or at least of the leading groups of banks can be judged from Table 1.

The trends and dangers which have been spelt out above may not have surfaced in a bold and clear manner as yet in respect of all credit institutions involved in the IRDP operations. But they seem to be lurking under the surface. And their magnitude or reality become somewhat overwhelming when we look at the total field of banking operations in the rural areas of the state, and the limited manpower resources (often untrained new hands and strangers to the rural ways of life) of the banks or their organisational efforts.

The challenges or the dangers being faced by nationalised commercial banks as well as the Regional Rural Banks, not only because of IRDP but also due to involvement of these financial institutions in various other priority sectors or 20-Point Programme, etc., are reflected from certain key data of the banks operating in Rajasthan.

The overall growth in deposits and advances of commercial banks and

TABLE 1 LOANS UNDER IRDP—1983-84

<i>Bank/Banking Group</i>	<i>Applica- tions Sponsor- ed</i>	<i>Loans Sanc- tioned</i>	<i>Loans Disburs- ed</i>	<i>Credit Mobilised (Amount in Crore) Rs.</i>
State Bank of Bikaner and Jaipur	36,138	28,689	20,905	4.06
Bank of Baroda	22,955	18,084	14,105	2.88
Punjab National Bank	13,477	9,211	7,097	2.11
State Bank of India	11,811	8,742	6,323	1.26
United Commercial Bank	9,559	7,542	5,080	1.11
Bank of Rajasthan Ltd.	11,970	10,295	6,952	1.37
Central Bank of India	6,842	5,000	3,784	0.69
Bank of India	1,929	1,565	1,335	0.34
Union Bank of India	1,966	1,585	1,135	0.24
<i>Others (Smaller Groups)</i>				
Oriental Bank of Commerce	590	526	396	0.08
New Bank of India	1,913	1,446	1,036	0.20
Punjab and Sindh Bank	671	364	292	0.05
Maharashtra Bank	—	—	110	0.05
Rajasthan State Cooperative Bank	73,328	59,840	40,626	8.74
State Land Development Bank	2,481	1,881	1,852	0.68

RRBs may be seen as one such indicator from data given in Table 2.

TABLE 2 DEPOSITS AND ADVANCES

<i>Particulars</i>	<i>Up to December, 1982* (Rs. in crores)</i>
Deposits	1,180.72
Advances	811.03
Priority Sector Advances	
of which loans given for :	
(a) Agriculture	238.96
(b) SSI	105.42
(c) Services	53.90
(d) Others	47.14
	445.42
Advances under DRI of which advanced to:	
(i) SC/ST borrowers	6.15
(ii) Others	4.94
	11.09
Advances under 20-point programme	144.95

*Data compiled on the occasion of the recent June 1984 meeting of the State-level Bankers Committee. Bankwise data regarding deposits and advances *vide* December, 1983 is given separately.

TABLE 3 BANKWISE DETAILS OF DEPOSITS AND ADVANCES

S. No.	Name of Bank	Total Deposits (at the end of Decem- ber, 1983) (Rs. in crore)	Total Advances	Number of Branches as on 31st March, 1984		
				Total	Rural	Urban*
1.	State Bank of Bikaner & Jaipur	483.59	309.49	949	295	654
2.	Bank of Rajasthan Ltd.	186.15	97.64	190	85	105
3.	Bank of Baroda	185.94	111.35	232	161	71
4.	Punjab National Bank	147.44	116.76	132	68	64
5.	State Bank of India	130.98	133.44	124	36	88
6.	United Commercial Bank	108.5	64.45	118	55	63
7.	(a) Central Bank of India (Kota Region)	21.69	19.57	70	33	37
	(b) Central Bank of India (Jaipur Region)	45.52	26.46			
8.	New Bank of India	36.66	25.34	50	27	23
9.	Union Bank of India	29.43	15.65	34	18	16
10.	Bank of India	28.78	20.61	21	12	9
11.	Oriental Bank of Commerce	25.62	11.90	23	6	17
12.	Allahabad Bank	NA	NA	17	5	12
13.	Punjab and Sindh Bank	NA	NA	15	6	9
14.	Indian Overseas Bank	NA	NA	9	2	7
15.	Dena Bank	NA	NA	9	1	8
16.	Vijaya Bank	NA	NA	7	2	5
TOTAL		1430.29	952.64			

*Other Small Banks with urban branches only—Indian Bank—7, State Bank of Patiala—2, State Bank of Maharashtra—5, Syndicate Bank—6, Hindustan Commercial Bank—5, State Bank of Saurashtra—2, Lakshmi Commercial Bank—9, State Bank of Indore—1, Co-operative Bank—1, Vyasa Bank—1, Canara Bank—4, Andhra Bank—1.

(Rs. in crore)

Sl. No.	Regional Rural Banks	Total Deposits (Upto Dec., 1983)	Total Advances	Total Branches (Up to March, 1984)	Rural	Urban
1.	Jaipur-Nagaur Gramin Anchalik Bank	11.67	21.19	106	94	12
2.	Shekhawati Gramin Bank	9.88	7.96	85	72	13
3.	Marwar Gramin Bank	7.81	19.65	113	103	10
4.	Alwar-Bharatpur Anchalik Gramin Bank	2.41	2.23	51	48	3
5.	Marudhar Khshetriya Gramin Bank	2.07	3.65	44	36	8
6.	Arawali Khshetriya Gramin Bank, Sawai Madhopur	1.23	0.73	34	31	3
7.	Hardoti Khshetriya Gramin Bank, Kota	0.69	0.30	35	33	2
8.	Mewar Anchalik Gramin Bank	0.35	0.11	10	9	1
9.	Thar Anchalik Gramin Bank, Jodhpur	0.24	0.90	8	5	3
TOTAL		36.35	55.84			

There are in all 38 banks, including 9 RRBs operating in Rajasthan through their more than 2,000 branches (2,081 at the end of December, 1983, as against 1,854 in the previous year and 1,719 at the end of December, 1981). Even this growth in the number of branches is reflective of the increasing pressure or demand on the not very old banking structure in the state. (The data indicated above, particularly in regard to advances, etc., seem to have been collected in respect of 1981 branches).

For purposes of reference and comparison, further detailed breakup of the total deposits and advances in respect of the major or most important commercial banks operating in the state and Regional Rural Banks at the end of December, 1983 is also given in Table 3.

Though the deposit/credit ratio seems to be reasonable and satisfactory as per limits prescribed by the Reserve Bank of India, the gap in respect of the various commercial banks is also noteworthy. But in case of some groups of leading banks which have also sponsored one or more RRBs the growing portfolio of advances seems to have outstripped their deposit mobilisation, so that the sponsoring banks are naturally more deeply involved. That the regional rural banks operating mostly in the rural areas, should be able to mobilise some deposits worth the name perhaps indicates the prevailing signs of economic well-being of certain sections of the people.

However, it is indeed creditable that between themselves, these 9 RRBs could increase their total deposits by about Rs. 10 crores within a year (from about Rs. 26 crores last year to Rs. 36 crores). The average per branch deposit at the end of December, 1983 ranged between Rs. 2 lakhs in the case of comparatively new Hadoti Khshetriya Gramin Bank to Rs. 12.30 lakh in the case of Shekhawati Gramin Bank.

These are some of the signs or the levels of deposit mobilisation in the rural areas. But obviously the success of a rural bank rests as much, if not more, on its loaning operations as on deposit mobilisation efforts. If only the commercial banks, and more particularly the cooperatives could take a cue from these data based on field experience or the ground situation. Unfortunately, while the 'culture' of the commercial banks is still largely influenced by the old habits of resource-building or attracting deposits, refinance and government support notwithstanding, the cooperatives have come to rely increasingly more and more on government funds or on RBI/NABARD refinance facilities and lag behind in the process of building up their own funds on the strength of members' deposits. □

Tribal Development in Retrospect and Prospect: Sixth Plan Mid-Term Appraisal

Bhupinder Singh*

BEFORE THE Tribal Sub-Plan strategy came into being in the Fifth Plan period, financial investments in tribal areas were meagre, composed primarily of allotments for special programmes. The general sectors of state and central plans did not contribute significantly. Of the total First Plan funds, the percentage invested in tribal development was 1.0; it declined to 0.9 in the Second Plan and 0.6 in the Third Plan. It decreased further to 0.5 per cent both for the Annual Plans 1966-69 and the Fourth Plan 1969-74. In absolute terms, the investment was only of the order of Rs. 75 crores during the Fourth Plan period and even less in each of the preceding Plan periods.

TREND OF INVESTMENT IN TRIBAL AREAS

A review made in 1980, *i.e.*, at the beginning of the Sixth Plan period, showed that the ushering in of the Tribal Sub-Plan in the beginning of the Fifth Plan period, led to a marked upswing in financial investment, rising from a mere Rs. 75 crores, *i.e.*, 0.5 per cent of the total Fourth Plan (1969-74) outlay to Rs. 1,182 crores, *i.e.*, 3.01 per cent of the Fifth Plan (1974-79) outlay (see Table 1).

It will be seen that the Tribal Sub-Plan (TSP) strategy has led to increasing investments in percentage (except for 1982-83) and absolute terms. Estimates based on trend-flow from the State Plans and special Central assistance of Rs. 470 crores place the total investment over Rs. 4,000 crores during the Sixth Plan period 1980-85. If we add contribution from the funds of central ministries and institutional finance, the total investment may well-nigh touch the Rs. 5,000 crore mark. This might exceed 5 per cent of the total outlay for the Sixth Plan.

*Bhupinder Singh, "Planning Strategy for Tribal Development in Retrospect and Prospect: A Mid-Term Appraisal" in T.N. Chaturvedi, Shanta Kohli Chandra (eds.), *Social and Administrative Development and Change*, New Delhi, IIPA, 1980.

TABLE 1 PLAN INVESTMENTS IN TRIBAL AREAS, 1974 ONWARDS

Year	Total Plan Outlay (Central + State + UTs)	Plan Outlay of TSP of States and UTs	Flow to TSP out of State Plan Outlays	Flow to TSP + SCA	Col. 4 as Percent- age of Col. 3	Col. 4 as Percent- age of Col. 2	Col. 5 as Percent- age of Col. 2
1	2	3	4	5	6	7	8
1974-79	49322.00	16252.31	856.08	1043.00	5.27	2.18	2.65
1979-80	12176.50	5231.00	392.92	462.54	7.45	3.20	3.79
1980-85	97500.00	42390.00	3495.24	3965.23	8.25	3.59	4.05
1980-81	14722.40*	6500.00	497.32	567.32	7.62	3.37	3.85
1981-82	17417.30	7402.19	589.40	674.40	7.96	3.39	3.87
1982-83	21081.65	8495.54	680.54	775.54	8.01	3.23	3.67
1983-84	25480.32	9764.05	787.38	891.88	8.06	3.09	3.50

*Anticipated.

Flows from State Plans and Special Central Assistance

The flows from State Plans to Tribal Sub-Plans have been given in Table 2.

TABLE 2 FLOW FROM STATE PLANS TO TRIBAL SUB-PLANS

Year	Amount (in crores)	Percentage of Increase in Investment
1979-80	392.92	7.45
1980-81	497.32	7.65
1981-82	589.40	7.96
1982-83	680.53	8.01
1983-84	787.38	8.06 (projected)

The quantum as well as percentage of flows from 1979-80 to 1983-84 show a steady upward trend. The 1980-85 projection of Rs. 3,500 crores is likely to be attained and may even be exceeded.

Alongwith the TSP strategy, the special Central assistance was instituted in the beginning of the Fifth Plan period. It was conceived as an additive and a catalyst for spurring financial investments of the state governments and financial institutions. During the Fifth Plan period 1974-79, the outlay of special Central assistance was Rs. 190 crores; for the Sixth Plan it is Rs. 480 crores. Yearwise it has been as follows:

Year	Rs. (crores)
1979-80	70
1980-81	70
1981-82	85
1982-83	95
1983-84	105
1984-85	125

As in the Fifth Plan, during the Sixth Plan period also, it has contributed notably to drawal of higher investment for TSP from the State Plan and institutional finance resources.

Centrally-sponsored and Central Sector Schemes

The TSP strategy has been conceived to be comprehensive, subsuming within it all sources of finance, all sectors of development and all segments of population. The public sector, comprised of State and Central Plans, contributes to tribal development. Institutional finance has come to occupy an important position in the development process as it goes to multiply the financial resources needed for development. Most of the schemes concerned with anti-poverty goal are based on part-subsidy to be drawn from State and Central Plans and part-loans drawable from financial institutions. But though the concept was initiated in the Fifth Plan period, even in the Sixth Plan period its progress cannot be deemed to be satisfactory. Only six states have been able to effect quantification from Centrally-sponsored and Central schemes of the order of Rs. 197.49 crores during 1980-85; the extent of their utility is difficult to judge.

Institutional Finance

Institutional finance is an important ingredient in the edifice of beneficiary-oriented programme. While subsidy element is available from the Central and State funds, the loan component has to flow from financial institutions. It has been prescribed that in the formulation of programmes, specific problems of each area and the target-group in terms of family should be clearly defined and schemes directly benefiting the individual tribal family accorded the highest priority. A tribal family may be given 50 per cent subsidy and 50 per cent may be the loan component from financial institutions; however, the relative percentage of subsidy and loan component may vary from state to state and further, in a state, from scheme to scheme. Both production and consumption credit occupy pivotal position in the gamut of measures for promotion of tribal economy.

The Working Group on Tribal Development, during 1980-85, projected the flow in the Fifth Plan period as of the order of Rs. 150 crore and expected Rs. 550 crores for the Sixth Plan period. Since the actual figures have not been reported, the flow can at best be only estimated.

Broadly speaking, there are three sources of institutional finance: cooperative sector, banking sector and corporate sector. The cooperative sector has been the one most closely connected with schemes in the field of tribal development. Perhaps, the chief reason has been that cooperatives have received specific attention in tribal areas since the Fifth Plan period with the establishment in remote places of more than 2,500 Large-sized Multi-Purpose Cooperative Societies (LAMPS). The presence of commercial banks in tribal areas has been rather scarce but, even where the branches

exist, their activity has been confined to a rather restricted jurisdiction around under constraints of staff, accommodation, mobility, procedures, etc. Coordination between the state developmental agencies and commercial banking authorities has not still acquired a level of effectiveness. In the corporate sector, direct loaning to individual tribals has been limited to a few, *e.g.*, Gujarat Development Corporation, among tribal development corporations. Some thinking about creation of loan windows in the existing tribal development corporations or establishment of new tribal financial corporations has been going on, but it has yet to reach a stage of crystallisation. On the whole, institutional finance has not, so far, emerged as a strong financial pillar of tribal development programmes. Sustained steps are required in that direction.

Further, the reservation on the part of tribal in the use of institutional finance is understandable. He has had experience of the money-lender who has not only been charging him exorbitant rate of interest but also led him into a tunnel of indebtedness the other end of which he is unable to sight. In some cases, the experience of tribals even with the official lending agencies has not been happy. Some reports indicate lack of viability of the schemes. The tribal finds himself burdened with loan much beyond his repayment capacity on account of the more or less static or insignificantly incrementing economy. While this is the position on the one hand, the use of coercive methods for recovery derives the tribal further away. This has led certain state governments to operate family-oriented production schemes on a higher percentage-rate subsidy, even on cent per cent subsidy basis. However, since this practice might induce heavy reliance on government funding and is even otherwise liable to misuse, there is need for due circumspection. Further, posting of men of integrity, competence and dedication, simplification of procedures, distribution of loan and subsidy in public, introduction of viable schemes, association of representatives of beneficiaries in all operations and such other safeguards are necessary along with steps for multiplication of resources.

UTILISATION OF INVESTMENT IN TRIBAL AREAS

As indicated, during the Fifth Plan period 1974-79, the funds inflow from the State Plan into the TSP was Rs. 856.08 crores and the special Central assistance was Rs. 186.76 crores—the expenditure respectively being Rs. 759.44 crores and Rs. 157.82 crores. In other words, there was an overall shortfall of Rs. 125.57 crores. The shortfalls in the three years 1980-81, 1981-82 and 1982-83 were respectively Rs. 43.06 crores, Rs. 22.36 crores and Rs. 17.27 crores, if we take into consideration the State Plan and special Central assistance outlays. It would, thus, appear that the overall shortfalls have not been very significant. However, most of the figures indicated are departmental figures.

Indivisible and Divisible Pools

A State Plan budget may be divided into three sectors: (i) infrastructure sector, (ii) social service sectors, and (iii) direct economic benefiting sectors. Broadly, the sectoral composition of the three groups could be as follows :

<i>Infrastructure</i>	<i>Social Service</i>	<i>Direct Economic Benefit</i>
A.1. Large and medium industries	1. General education	1. Agriculture
2. Mining	2. Art and culture	2. Animal husbandry and dairy development
3. Power	3. Technial education	3. Fisheries
4. Ports and harbours	4. Medical and public health	4. Forests
5. Roads and bridges	5. Water supply	5. Small, village and cottage industries
6. Road transport	6. Housing	
7. Flood control	7. Nutrition	
8. Major and medium irrigation	8. Backward classes sector	
B.1. Land reforms		
2. Minor irrigation		
3. Soil and water conservation		
4. Cooperation		

Since the Fifth Plan period, the question as to which sector or sectors are amenable to quantification for the TSP has been raised from time to time.

Infrastructure Sectors

In the group of infrastructure sectors, there are certain sectors in sub-group 'A' like large and medium industries, mining, power, ports and harbours, which are capital-intensive, location-specific and, provided other conditions are identical, neutral to the beneficiary-clientele. The indigenes of tribal areas have not acquired still the attitude and the technology to be able to exploit the employment and market potential as well as other opportunities arising out of establishment of projects in these sectors. On the contrary, their pre-existing agro-silvicultural economy has suffered disruption, requiring rehabilitation. The establishment of such projects in tribal areas cannot, *ipso facto*, be taken as generating benefit-flow. This is conspicuously so insofar as ports and harbours and power sectors are concerned. Consequently, any quantification from these sectors of the State Plan shown in a state's TSP has to be accepted with reservation.

On the whole, the tribal economies of different regions in the country have yet to acquire the capability for using communications for quick growth. Hence, the beneficial effects of the two sectors, roads and bridges and road transport, may be real in the relatively less backward and apparent

in the more backward tribal areas. Further, slow, graduated exposure of some primitive communities inhabiting encysted tracts to the external winds of change may prove more beneficial to them in the long run than their over-zealous protection. In short, the existing and expanding network of communications may catalyse the economy of generality of tribal areas in due course.

The other two sectors of this sub-group, *i.e.*, flood control and major and medium industries, can be of direct impact to tribal area and tribal life. The salutary effects of flood-control measures are obvious. Insofar as the major and medium irrigation projects are concerned, situations can differ. There are cases of major and medium irrigation projects (*e.g.*, Mahe Medium Project in Rajasthan) whose headworks are located on land acquired from tribal owners but whose benefits may largely skirt tribals. Secondly, there are certain other projects (*e.g.*, Kolab major project in Orissa) whose command lies inescapably in tribal area. A third alternative is where technical feasibility might permit deliberate choice in the matter of benefits to tribal area or non-tribal area. In this sector, it becomes a question of benefits being consciously extended to tribals.

Thus, on the whole, while the eight sectors falling within sub-group 'A' of the infrastructure group appropriate more than 50 per cent, sometimes adding up to over 70 per cent of a State Plan budget, it would be facile to assume as a matter of course that advantages do accrue therefrom to tribals in case of credit of earmarked funds in the TSP.

The four sectors listed under sub-group 'B' of infrastructure sectors fall in a different category insofar as benefit-flow to tribals is concerned. These sectors perform a much closer supportive role for sectors and schemes which impinge directly on tribal economy. Many states have adopted the policy of assignment of high priority to allotment to tribals of ceiling surplus land becoming available as a result of application of land reform laws. Such holdings should become productive asset. Similarly, minor irrigation and soil and water conservation sectors enhance land productivity. The cooperative sector has for the tribal population a special role to play as cooperatives can become not only effective market-outlet agencies but also a medium for fair-exchange transactions. It has been seen, for example, that impulses imparted by a properly-motivated leadership turned some of the LAMPS into effective anti-exploitative vehicles. Thus, a close nexus between these sectors and those sectors which incorporate family-oriented schemes can yield benefits to tribal families. Flow of financial resources from the State Plan to these divisible sectors is, therefore, to be welcomed for strengthening tribal economy.

Social Service Sectors

Water supply, in the true sense of the term, is a minimum basic need. It is doubtful if the problem can be liquidated in the Sixth Plan period

considering the present pace; it is to be fervently hoped it does not spill over to beyond the Seventh Plan period. Its listing at eighth position in the new 20-Point Programme lends it new emphasis.

The nutrition sector assumes special importance in view of the fact that the national document of the Planning Commission on the Sixth Plan places the bulk of the Scheduled Tribe population as living below the poverty-line. There is a large number of Scheduled Tribe communities, like the Juang and the Birhor, inhabiting scarce natural resource regions, suffering from malnutrition, needing diet supplementation, though a few groups, like the Muria and the Madia, live in better endowment regions.

The housing sector acquires significance for those tribal areas which are not too remote, particularly those adjacent to the semi-urban and urban areas.

General education, technical education and medical and public health are the three sectors commonly connected with human resource development. The Report of the Working Group on Tribal Development during the Sixth Plan (1980-85) period incorporated 1977-78 figures of enrolment percentages of tribal children in age-groups 6-11 and 11-14 years in 11 states. The 1971 Census reckoned the literacy percentage of Scheduled Tribe population in the country as 11.3; the 1981 Census figure is 16.35. There has been some progress in percentage enrolment of children and literacy percentage, but compared to the overall national figures, the Scheduled Tribes lag behind. Widespread dissemination of education is the first requisite. It appears that the states have been advised to identify deficiencies with reference to norms in the matter of primary, middle and secondary schools, school buildings, hostel buildings, teachers, equipment, etc., and prepare master plans for these. A perspective plan should visualise appreciate the time-span for removal of the deficiencies and execution of master-plans. Notwithstanding the recommendation of the Working Group that education be regarded as a key sector, it has not attracted funds relative to requirement. Apart from the question of curricula and syllabi, there are a number of other causes like loss of family income arising out of diversion to schooling of tribal children from engagement in economic activities, distance of educational institutions from tribal villages, quality of education imparted, absenteeism of teachers, etc., standing in the way of spread of education among tribals. Some incentives and remedies have already been applied. Others necessary need to be enforced.

The human resource development concept cannot afford to ignore the present generation whose quality of life and contribution to the overall national economy can appreciate with adult education. Alongside, upgradation of skills, through informal and formal technical education, can become a source of economic strength and confidence.

Though some of the tribal communities have their own system of indigenous medicine, they have remained on the leeward side of the

allopathic, ayurvedic, homoeopathic, yunani, etc., systems. Access to these systems can make life less prone to malaria, filaria, tuberculosis, leprosy, yaws, lathyrism, guinea-worm infestation, and help them in remaining healthy and more productive. Some health institutions have appeared in tribal areas. Reviews show that while in some states, like Maharashtra, their achievement closely approximates the relaxed norms, there are some other states where a yawning gap exists. This gap has to be made up through preparation of master plans. While the tribal system of medicine may be encouraged, effective and rapid public health preventive measures are likely to prove immensely advantageous. This does not, however, mean that the curative measures should be neglected. Mobile medical units can be useful for this purpose.

The eight sectors in this group can play a valuable role in the development process, which is also quantifiable. Considering that the tribal areas, as compared to other areas, have received less attention in the past, some weightage may be allowed in apportionment of funds for TSP areas.

Direct Economic Benefiting Sectors

Since now the plan priorities embrace not only creation and reinforcement of infrastructure facilities but also beneficiary-oriented programmes compounded with a wider spatial scatter, the interface between the development-agent and the participant-beneficiary has magnified. As such, fruitful interaction between them for implementing result-oriented programmes and schemes has become essential. In the first instance, such family-oriented schemes have to be conceived through consultation with the participant-beneficiaries or their representatives. Secondly, the schemes have to be prepared by concerned experts. Thirdly, the mode of financing of schemes being subsidy-cum-loan, credit institutions have to be involved; the schemes have to be bankable and viable. These requirements can be met if modules of each scheme are prepared in advance with clear input-output elements. The natural resource endowment of an Integrated Tribal Development Project (ITDP) area should be the base for a relevant shelf of schemes. A family may be enabled to avail of more than one scheme to ensure incremental income of an order required to raise the family above the poverty-line. The cluster approach might make for efficiency and convenience. In the Sixth Plan period, the objective of enabling 50 per cent of the families in the TSP area living below the poverty-line to cross the poverty-line has been set. If the Scheduled Tribe families in the TSP area (inclusive of tribal pockets) are taken into consideration, they number about 57 lakh and, assuming that 80 per cent of them live below the poverty-line, the total number of those below the poverty-line in that area comes to about 46 lakh. Hence, the target for the Sixth Plan period of raising 23 lakh families above the poverty-line has been set. It appears that reports received indicate that

approximately about 20 lakh families have been economically assisted towards that end.

The five primary sectors listed under this group form the core of the planned effort to raise the income-level of individual families. Community and individual-oriented schemes operated under each of these sectors aim at incremental income through capital, material and technological inputs calculated to raise productivity and production. Forest labour cooperative societies have been performing well in Maharashtra and Gujarat, while fisheries cooperatives have been organised in some other states. By and large, agriculture, animal husbandry and village and cottage industry activities are organised on individual basis. Whether they are individual-based or community-oriented, the development programmes need strong forward and backward linkages with other sectors. For example, surplus production in each of the five sectors needs marketing outlet and, presently, it is sought to be provided through LAMPS in addition to the extant market forces in the states. The input supply agencies, particularly credit, also require adequately strong linkages. These sectors call for micro-planning commencing at the VLW (or VAW) tier, funnelling upwards to block plan and ITDP project reports. The target-group oriented Integrated Rural Development Programme (IRDP), put through by the District Rural Development Agency (DRDA), also revolves around these sectors. The IRDP should be regarded supplemental to the family-oriented schemes of TSP.

Adequate flow of financial resources from the State Plan into each of these sectors of the TSP is vital. It should not merely be proportionate to the total population of TSP area but should also carry some weightage to compensate for present backwardness and past neglect.

The socio-economic development of the people of the TSP area in general and the Scheduled Tribes in particular, can be visualised in the short-term and long-term perspectives. In the short-term, the existing levels of skills, technology and awareness would determine their absorption and take-off capabilities in the five primary sectors. Their capabilities are likely to be upgraded with the operation among them of the eight sectors of the social services group. Even so, they are unlikely to make any substantial use of the eight sectors of sub-group 'A' of the infrastructure group; on the other hand, the four sectors of sub-group 'B' would offer close and valuable support. Even in the somewhat longer run, it is doubtful whether sectors like power, large and medium industries, mining, etc., would come within their economic assimilation ambit. The concept of divisibility or indivisibility of sectors of State and Central Plans, therefore, needs to be looked at not only from the point of view of the inherent characteristic of a sector lending itself to apportionment between TSP and non-TSP areas, but also to its relevance in the short and long runs. Sectors of the sub-group 'A' of the infrastructure group attract interest for the reason that, while

on the one hand a major percentage of State Plan resources is tied up for them, on the other the location-specificity of projects and their high financial requirement invest them with a degree of inflexibility. The following points emerge:

- (a) The capital-intensive nature of sub-group 'A' of infrastructure sectors limits availability of funds for sectors which are, in the short run, more germane to a section of the population like Scheduled Tribes hovering around the poverty line.
- (b) Given the present level of technology and awareness of Scheduled Tribes as well as the exacting demands of modern sectors of sub-group 'A', benefit-flow therefrom to Scheduled Tribes in the short-run may not be expected. However, effort needs to be intensified on the social services front, say in the fields of general education, technical education, etc., so that the gap between their present capability and that required to assimilate advantages of the modern sectors can be closed as early as possible.
- (c) For the short-run, attention needs to be focused on the direct economic-benefiting sectors through strong inter-linkages particularly with sectors of sub-group 'B' of the infrastructure group. Maximisation of flows from the resources of the State and Central Plans for these sectors is necessary.

There has been controversy whether inclusion in TSP of investment in certain sectors like large and medium industry, mining, power, and tourism is justified or not. The establishment of projects in these sectors in TSP area may lead to a certain fall-out in the form of infrastructural facilities and direct and indirect benefits. But mere location does not ensure benefit-flow to the tribals in particular and the local people in general. The question of inclusion or exclusion of financial provisions in TSP may be approached discriminately, since in one region the tribals may be quite incapable of deriving benefits while, in another region, they may well be on the way to acquisition of skills and awareness whereby they may not lag behind much in deriving benefits. The benefit-accrual test may be relevant.

For exercise of determination of the quantum and percentage of funds of State Plans channelised into sectors which benefit families directly, four groups of sectors have been identified: three groups being the same mentioned earlier, the fourth comprised of those sectors which do not fall within the other three groups, *e.g.*, integrated rural development programme, national rural employment programme, labour and labour welfare, information and publicity, economic services, general services, etc. The total investment in direct economic-benefiting sectors for 1980-81 works out to Rs. 57.62 crores for 1981-82 Rs. 66.44 crores, and for 1982-83 Rs. 68.34 crores. The respective percentages of these outlays to the total State Plan for the three

years are 0.89, 0.90 and 0.80. There is decline in the last year but the reduction is not very significant. It is pertinent that in the 1980 tribal development review, the average figure was 3.24 per cent; but the methodology of calculation was different and the two sets of figures are not comparable.

The lion's share of flow from State Plan to TSP is appropriated by the sub-group 'A' of the infrastructure group. For 1980-81, in different states, the percentages of sub-group 'A' of the flow to TSP ranged from 14.46 to 76.40, the notional average being 47.48, *i.e.*, nearly half of the TSP. Such national average in respect of sub-group 'B' was 12.83. The two together make up to about 60 per cent. The share of social services sectors was 19.08 and other sectors 9.20; the balance 11.59 per cent went towards the direct economic-benefiting sectors. The position summarised for the three years is shown in Table 3.

TABLE 3 FLOW FROM STATE PLANS TO TSP DURING 1980-83

Sectors	Percentage of Flow During		
	1980-81	1981-82	1982-83
(1)	(2)	(3)	(4)
Direct-economic-benefiting sectors	11.59	11.27	10.03
Infrastructure sub-group 'A'	47.48	46.89	44.58
Infrastructure sub-group 'B'	12.83	12.82	13.74
Social Services sectors	19.08	18.96	20.74
Other sectors	9.02	10.06	10.91

As mentioned earlier, one cannot doubt the utility of the infrastructure sectors like power, transport, and communications in contributing to the general economy. But the presence of industrialised tracts in tribal areas is revealing. Modern industrial infrastructure in the form of mines, transport, power, technology, etc., has got established in these islands without affecting much the traditional agro-forestry tribal cultural matrix alongside. It appears that the tribal culture will take quite some time to come to terms with the new culture. In the interregnum, it needs a variety of development accordant with its present, slow-changing ethos. Contrarily, family-oriented schemes in the economic sectors, like agriculture, horticulture, animal husbandry, forestry, and small and village industries can usher in quick benefits, howsoever small, liable to make substantial difference to the meagre income of a family. Viewed in this light, the shift in planning orientation needs to be hastened during the final year of the Sixth Plan period and in the next five years of the Seventh Plan period.

It is in recognition of this factor that the Working Group constituted by the Planning Commission on Tribal Development during 1980-85 set out the

following objectives for the Sixth Plan period:

- (a) Raising productivity levels in the fields of agriculture, horticulture, animal husbandry, forestry, cottage, village and small industry, etc., so as to create economic impact of an order which should enable a targeted number of families (say 50 per cent) in the TSP area to cross the poverty-line. With the household as the basic unit of planning, in poverty reduction, the poorest and then the poor should be taken up on a progressive scale.
- (b) Apart from the efforts in the core economic sectors indicated in (a) above, education should become the key sector in the Sixth Plan period.
- (c) The attainment of the objectives in (a) and (b) above would vitally depend on an adequate infrastructure for the creation of which there should be commensurate financial and physical effort.
- (d) Concomitant with the aforesaid threefold aims and, perhaps, the most important, assiduous exertions are necessary to eliminate exploitation of tribals in the fields of alienation of land, money-lending, debt-bondage, trade, excise, forest, etc.

The new 20-Point Programme, which includes acceleration of programmes for development of Scheduled Castes and Scheduled Tribes has reinforced the four objectives mentioned above. Further, the IRDP and NREP have added to the general thrust of the family-oriented programmes in the TSP. The first task is to identify families living below the poverty-line in the TSP area. To an extent, this was facilitated by the bench-mark survey initiated in the middle of the Fifth Plan period in various states. Anti-poverty surveys under the IRD Programmes can help the matter further.

PLANNING PROCESS

Guidelines were issued by the Planning Commission in the Fifth Plan period that the planning process for TSP should commence from below. The block plan should emphasise family-oriented sectors like agriculture, horticulture, animal husbandry, forestry, minor irrigation, tiny, cottage, village and small industries; the human resource and infrastructural sectors should follow in priority. The block plans thus formulated should receive attention at the ITDP-level for the purpose of aggregation and formulation of project report of an ITDP. However, the planning input at the ITDP level has to be of much higher quality than the block level. Further, involvement of tribal representatives like MPs, MLAs, Panchayat Samiti chairmen (members of ITDP-level committee) as well as guidance provided by the district collector (chairman of the committee) should upgrade its quality and perspective. Three parameters conceived to govern preparation of

block-level plans and ITDP reports are: (a) natural resource endowment of the Block/ITDP area, (b) the socio-economic milieu, *i.e.*, occupations, skills, attitudes and aptitudes of the people, and (c) resource availability for the perspective plan period and the annual phases. Essentially, the project report would need to be a happy blend of priorities relative to: (i) schemes of direct benefit to families in an ITDP, (ii) human resource development schemes, and (iii) infrastructure development schemes. The project reports of the ITDPs in a state should determine the size and character of the state's TSP. Against a total number of 180 ITDPs in the country, 129 project reports were prepared during the Fifth Plan period and 109 during the current Plan period. The quality of the project reports needs marked improvement.

Administrative Structure and Personnel Policies

Two important pre-requisites for an administrative organisation are: (i) appropriate type of structure, and (ii) the right personnel policies. The Maheshwar Prasad Group made a number of recommendations in this regard.

The adoption of the TSP approach led to availability of massive physical and financial resources. Want of adequate matching administrative machinery is ascribed, in part, as the reason for benefits not reaching the target group. In some states, the block structure, the lowest unit of execution, has been allowed to atrophy: it has to be revamped and streamlined. The formulatory and supervisory ITDP has become an integral part of district administration, with the District Collector having been appointed as chairman of the ITDP committee and District-Level technical officers as members. Hence, the need for intermeshing of vertical and horizontal hierarchical echelons is indispensable. Considering the simple tribal situation, vesting the concerned functionaries, particularly the project administrator of an ITDP, with both administrative and regulatory functions (especially under the Fifth Schedule) helps. The project administrator should be sufficiently senior and suitably empowered to effect cohesiveness between the project and the district administration. He should be suitably assisted by subject-matter specialists. Gujarat and Maharashtra have been able to work out arrangements for involving Zila Parishads and allied bodies; the State of Bihar has been in the process of sorting out this matter.

Madhya Pradesh has set up Regional Tribal Development Authorities between the district and state levels, *i.e.*, at divisional level. Bihar has been having three Regional Authorities, since the breakup of the Chhota Nagpur and Santhal Parganas Autonomous Development Authority. The bigger states, with concentration of scheduled tribe population might consider formation of regional bodies. The accent has to be on administrative integration as well as technical and financial integration at all tiers. At the state level, the tribal development department should function as a nodal

department. Its horizontal linkages with other development departments should be strong and functional.

In the matter of personnel policies, the first requisite is that competent and dedicated government servants should be posted in tribal areas, which are usually regarded as punishment areas. To neutralise the handicaps of distance, lack of communications, health, education and entertainment facilities, adequate monetary and non-monetary incentives need to be attached to posts in tribal areas. Formation of sub-cadres of those cadres which have traditionally been deficient in tribal areas seems necessary. Adequate administrative and financial delegations have to be made in favour of an ITDP project administrator, the collector and commissioner, similar delegation of powers of technical sanction should be conferred on their technical counterparts.

Budgetary Arrangements

Since the process of earmarking of funds for TSP commenced, two methods have been adopted for reflection of the quantified funds in states' budgets. In one, a subhead of each head in the budget of a sectoral department is split into two parts: one reflecting the share of the scheme for the TSP area and the other the rest of the provision. In the second method, quantified funds of all the sectoral departments are shown departmentwise under one single demand head, controlled by the tribal development department of the state. Control over utilisation of funds is better when they are placed under one single demand head since, while their utilisation remains the responsibility of the concerned sectoral departments, the tribal development department is enabled to keep a close watch over utilisation, affecting reappropriation wherever necessary. The states where the former procedure has been adopted are Andhra Pradesh, Assam, Bihar, Manipur, Orissa, Tripura and West Bengal. The single-demand head methodology has been adopted by Gujarat, Himachal Pradesh, Madhya Pradesh, Maharashtra and Rajasthan.

For TSP 1982-83 and 1983-84, the Government of Himachal Pradesh has exhibited special Central assistance and Centrally sponsored schemes under a single-demand head, departmentwise, headwise and schemewise. A similar step has been taken on the non-Plan side also. The outlays are shown separately for each of the five ITDPs. It enables the tribal development department, other departments, ITDPs and other field authorities to see, at a glance, availability of funds for each of the schemes, making the innovation a trend-setter. Himachal Pradesh has made one more stride. It appears that a decision has been taken that of the total State Plan outlay, a certain quantum of funds will be set apart as a lump-sum for TSP, allocable by the tribal development department to various sectors in accordance with perceived needs. This step also deserves to be commended to other states.

Central Ministries

On account of the fact that the theatre of action lies in the states, the state governments commenced their TSP exercises in the beginning of the Fifth Plan period. There has been a time-lag in the matter of involvement of Central ministries. They were called upon to undertake the following steps:

- (i) Formulation of appropriate programmes;
- (ii) Suitable adaptation of the on-going programmes;
- (iii) Quantification of funds from their budgets for tribal areas;
- (iv) Creation of liaison cells in each Department/Ministry for tribal development work; and
- (v) Budgetary innovation for reflection of funds earmarked for tribal areas from the various heads in their budget through opening of sub-heads, as in some states.

The concerned Central ministries have quantified funds, but some of them have still to monitor their utilisation. Most of them have yet to adopt the budgetary mechanism.

Participants' Involvement and Voluntary Organisations

The first requisite for success is an earnest understanding of planning and implementation machinery. But even with the best of personnel, interpretation of the desiderata, as conceived by Scheduled Tribes, may remain enigmatic. Among the several causes for the communication gap, language barrier may be one. The best form of bridge seems to be an organisation of the tribals themselves, particularly an articulate and enlightened intermediary for aptness in formulation and catalysis in implementation. Such tribal institutions may be of the traditional variety, e.g., *Manjhi* and *Parganaiti* of the Santhals, village council among the Saoras, and the *Gaonburas* among the Nagas. If dormant, they should be activated. Further, where there is effective tribal representative in statutory Panchayat, tribal viewpoint can be heard; more often than not, in the presence of the dominant non-tribal element, the tribal viewpoint does not find adequate expression. The Asoka Mehta Committee on Panchayati Raj institutions recommended reservation for Scheduled Tribes on those bodies. Some way has to be devised.

Above the village, tribal representation has got formalised at the block, ITDP, district, state and national tiers over the years. At the block-level, the Panchayat Samiti should be representative of the tribal segment of the population. At the ITDP-level, the advisory bodies are constituted of the district collector as the chairman, the district-level technical officers, MPs and MLAs (members of Scheduled Tribe communities in reserved constituencies) and other tribal leaders. At the district-level, zila parishads and district planning boards usually contain tribal representation. At the state-level, apart from the legislature committee on the welfare of Scheduled

Castes and Scheduled Tribes, Tribes Advisory Councils have been set up in states having scheduled areas, in accordance with the provisions of para 4 of the Fifth Schedule of the Constitution; incidentally, MPs should find place therein. At the national level, apart from the Parliamentary Committee on the Welfare of Scheduled Castes and Scheduled Tribes, the Commissioner for Scheduled Castes and Scheduled Tribes and the Commission for Scheduled Castes and Scheduled Tribes are expected to take care of the interests of Scheduled Castes and Scheduled Tribes. It would, thus, appear that at each hierarchical tier, tribal association has been provided for. Apart from these, tribal viewpoint is projected on the floors of the State Legislative Assemblies and national Parliament. But, overall, the grassroot levels, i.e., the village and panchayat levels, need effective representation for both planning and implementation. *Vis-a-vis* implementation, we have made little progress during the current plan period. The development process should become more interactive, relevant and fruitful with the following three steps: (a) involvement of the village and panchayat tiers, (b) more effective association at the ITDP, district and state levels, and (c) involvement at each level in both planning and implementation.

Voluntary organisations have played a notable part, particularly in the field of education. Dedicated members of voluntary organisations, such as Ramakrishna Mission and Nagaland Gandhi Peace Ashram, have identified themselves with tribals and interpreted their needs and aspirations to the development administration. Most of them are comprised of non-tribal members; with tribal members on their rolls, their effectiveness will be enhanced. Idealism should continue to infuse the old and young organisations.

Monitoring

Increasing investments in tribal areas of the country should lead to worthwhile and concrete results for the population, particularly the target-group. The investments during 1979-83 excluding flows from other Central schemes and institutional finance, add up to Rs. 2,478.85 crores. The picture of physical achievements ensuing from these investments remains incoherent and incomplete since the data flow from the states remains sketchy.

The planning strategy is getting tilted, of late, towards individual family programmes. As per item 7 of the 20-Point Programme, the states have to report monthly and quarterly on the number of Scheduled Tribe families economically assisted to cross the poverty-line. The target was set in the Sixth Plan period of assisting 23 lakh ST families, being 50 per cent of the 46 lakh families estimated as living below the poverty-line in the TSP area. As per reports available, this target is likely to be surpassed. But, double or multiple counting of families and other shortcomings cannot be ruled out. It is hoped that, in course of time, monitoring will acquire proper strength, form and refinement. Given a regular and proper feedback through a sound

monitoring system in a state, it is possible to:

- (a) judge whether the policy and procedures have been correctly adopted in the field;
- (b) make an assessment of results accruing in quantitative terms, matching them with the targets set; and
- (c) derive lessons in respect of quality of implementation and appropriateness of policies and programmes, with a view to apply correctives for future.

Evaluation

Holistic and sectoral as well as concurrent and *post-facto* evaluative studies in tribal development are inadequate. Sectoral studies have been taken up in states. The study of LAMPS has been conducted by organisations like the Vaikanth Mehta Institute of Cooperative Management, Bihar State Planning Board, Reserve Bank of India, NABARD and Tribal Research Institute. Study of administrative structure in tribal areas in the states of Madhya Pradesh and Gujarat was taken up by the Indian Institute of Public Administration. No holistic evaluation study of an ITDP or a state has been done, except in the case of Keonjhar ITDP by National Institute of Rural Development (NIRD). However, several holistic studies are afoot. Each of the Tribal Research Institutes has been asked to undertake holistic study of at least one ITDP annually. The Programme Evaluation Organisation of the Planning Commission has undertaken evaluation studies of eight ITDPs in the country. The NIRD and some private research organisations have also been entrusted with holistic studies. Their results are likely to be useful.

CONCLUSION

The foregoing review shows that the shift in the planning strategy in favour of family-oriented programmes initiated in the Sixth Plan period has to make further strides. Of the total State Plan outlays, the percentage of funds flowing into family-benefiting programmes is 0.89 for 1980-81, 0.90 for 1981-82 and 0.80 for 1982-83. Percentage-wise meagre, a beginning has been made and the investment is likely to make impact in the socio-economic condition of families living in the TSP area. There is need for further thrust in that direction during the last two years of the Sixth Plan period and the Seventh Plan period. The shift in planning orientation should acquire momentum.

In accordance with the target set in the Sixth Plan period, 23 lakh families are expected to be economically assisted over a period of time to enable them to cross the poverty-line. Reports monitored at the national level show that the target may be surpassed. But a precise idea of the economic assis-

tance rendered and the capacity of the families to cross the poverty-barrier have not been formulated. Some evaluation studies have been initiated, but it will take some time before results are obtained. It has been assumed that sustained economic assistance for one or more development schemes to a family over a period of time should enable the family to jump the barrier; for the purpose, modules need to be conceived of with normative inputs and outputs. The results actually flowing on the ground from the operation of the schemes need to be compared with the normative modules for application of correctives. This needs close ground-level verification and evaluation of the nature and quantum of economic assistance.

The success of family-benefiting programmes is vitally dependent on the support and supplementation of infrastructure and human resource development sectors. Finely-balanced planning formulations of family-development, human resource development and infrastructure development sectors are called for in each state, depending on the parameters of the situation obtaining. □

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Organisation and Working of District Rural Development Agency—Special Reference to Khammam District in Andhra Pradesh

P. Arjun Rao

THE DISTRICT Rural Development Agency (DRDA), Khammam came into existence on April 1, 1981 by integration of schemes under Small Farmers Development Agency, Integrated Rural Development Programme, Training of Rural Youth for Self-Employment, and Antyodaya Programmes. These agencies were entrusted with different programmes for different categories of rural people. The aim was to see that rural development takes place by seeking cooperation of various governmental agencies, local bodies and also financial institutions, like Grameen banks, commercial banks, nationalised banks and rural cooperative and agricultural banks. The institution of District Rural Development Agency was entrusted with the responsibility of dealing with various agencies mentioned above in the implementing process of the programmes which aimed at providing benefit to various sections of people, like small farmers, rural artisan, and landless agricultural labourers, apart from unemployed youth. Thus, the entire rural manpower and womanpower was to be motivated to participate in such programmes to help them emerge above the poverty line. As is well-known, a large chunk of rural population continued to live below the poverty line and fruits of five Five Year Plans did not reach them much to the chagrin of the planners.

The institution of DRDA, as per the guidelines of Government of India, is to extend benefits to the people below the poverty line in rural areas having annual family income below Rs. 3,600. The annual target set for DRDA was 600 families in a block area to attain the overall target of 3000 families during the Sixth Five Year Plan. It is certainly an ambitious programme in view of various administrative and socio-political constraints. Despite existence of Panchayat Raj institutions, which were created to carry out development programmes, having the necessary experience and expertise, separate institution like DRDA has been constituted additionally for the purpose. It is in this perspective that DRDA of Khammam district was chosen to examine whether the organisational structure provided for this purpose is conducive to efficient functioning from the points of view of coordination and cooperation. Khammam district was chosen particularly for the reason that people of the district are believed to be very much

politically articulate and dynamic. Another reason is concentration of tribal population in two Taluk areas of the district.

ORGANISATIONAL STRUCTURE OF THE DRDA

The DRDA of Khammam emerged from the merger of Small Farmers Development Agencies (SFDA) and District Development Authorities (DDA), and was registered¹ under the Societies Act of the Government of Andhra Pradesh. It is a body corporate with all characteristic features. It comprises a Governing Body, Chairman, Executive Committee, and the Project Director. The Governing Body has 31 members.² Broadly, it consists of Chairman, Vice-chairman, Members and Project Director.³ The District Collector is the Chairman of the Governing Body. The Chairman of Zilla Parishad is the Vice-Chairman and the rest of them are the members of the Governing Body including the Project Director. The Project Director also acts as the Secretary-cum-Treasurer of the Society's Governing Body. (*See Appendix for details of composition.*)

The first members of the society are as follows:

1. Joint or Additional Secretary to Government of India, Ministry of Rural Reconstruction, on behalf of the President of India;
2. Joint Secretary/Deputy Secretary to Government, Forests and Rural Development Department, Government of Andhra Pradesh;
3. District Collector and Magistrate, District Representative of Government of Andhra Pradesh;
4. Chairman of Zilla Parishad; and
5. One representative on behalf of the Andhra Pradesh Government.⁴

The Governing Body, having a large number of members (31, including Chairman, Vice-chairman and Project Director) is unwieldy. It cannot meet as often as it should to transact business and guide the DRDA continuously in its work. So there was the necessity to have a smaller compact body which could meet as many times as possible and take decisions in consonance with major policies of the Governing Body. Therefore, an Executive Committee is envisaged for the purpose. The members of the Committee are nominated by the State Government.⁵

¹G.O.Ms. No. 44, Forest and Rural Development (RDV) Department, dated February 12, 1982.

²*Ibid.*

³*Ibid.*

⁴*Ibid.*

⁵*Ibid.*

The Project Director, drawn from IAS cadre, is a senior officer in the state government but care is taken to see that an officer junior to the District Collector is posted.

The composition of the Governing Body needs a careful attention. Out of a total of 31 members, there are 17 government officials, six bank representatives, three Panchayat Raj political chief executives, one Member of Parliament, two Members of the Legislative Assembly, one female representative from the weaker sections and two from Scheduled Castes and Scheduled Tribes. It is apparent that more than 54 per cent are government officials and the rest bulk representation is from the financial institutions. The representation of weaker sections, for whom the schemes or programmes are meant, is meagre. The Governing Body is dominated by bureaucracy most of whom are heads of different departments in district administration. They have their own departmental work to attend to, including inspection, supervision and control of the officials, besides attending to desk work at the district headquarters. Secondly, the bank officials too have to discharge other functions in their own bank. It does not need any elaboration as to how the District Collector is overburdened with the work of the district administration as the chief executive and the coordinator of the district administration. So most of the members of the DRDA, while comparing functions of their parent departments' functions, consider the DRDA functions as secondary. The only member of the Governing Body is the Project Director who is also a full-time officer of the DRDA.

The executive committee consists of five to six members. The District Collector, who is Chairman of the DRDA, is also the chairman of the Executive Committee. The other members of the Executive Committee are the Project Director, representatives of the major administrative departments of the district and also banks.⁶ The Executive Committee has to meet at least once in a month to look into various programmes intensively and take necessary decision. The matters pertaining to long-term importance, such as approval of the plan, must be brought before the agency. The meeting of the Executive Committee is convened and presided over by the District Collector. The Chairman has a casting vote in case of a tie. The Executive Committee shall take necessary decisions on all matters which are explicitly entrusted to the Governing Body subject to ratification by the latter. The chairman and in his absence, the vice-chairman, preside over the meetings of the Governing Body.

The foregoing discussion indicates that the organisational arrangement of DRDA is not conducive to achieving desired goals. Besides the Governing Body being unwieldy and dominated by government and bank officials who do not always accord first priority to DRDA in their functioning, the members of the Executive Committee are also drawn from major adminis-

⁶G.O.Ms. No. 44, *op. cit.*

trative departments and banks. As such, the same criticism holds good in case of Executive Committee also. Further, there is lot of grumbling and also a strong protest from the Panchayat Raj political functionaries that the functions of DRDA should have been entrusted to them instead of creating a separate agency like DRDA.⁷ Their resentment over the setting up of DRDA and style of functioning of the Project Director is quite strong. They feel that much harm has been done to the development programmes than expected.

While most of the members of Governing Body and Executive Committee are not able to take much interest in DRDA activities, the chairman of the Governing Body and the Executive Committee is also overburdened with lot of administrative, regulatory and development functions apart from functions of coordination. Consequently, he can very rarely spare time for DRDA. Thus, under the existing organisational arrangements, the Project Director, being a full time member of the society, is the most powerful functionary of DRDA. The impression given during the study⁸ by officers, and political leaders (including the Chairman, Zilla Parishad and the President, Panchayat Samithi, Khammam Block) is that the powers and functions of DRDA centre around the Project Director. The organisational climate makes him so powerful that he can circumvent several rules and regulations. Several instances about it were cited by various sections of people in the interviews. One such instance was that the Project Director, instead of paying the stipend amount to the trainees of tailoring, promised to arrange supply of sewing machines to them. But though the trainees completed the training foregoing the stipend amount, they did not receive any sewing machine promised by the Project Director. Another instance was that, under the procedure, the Project Director was required to obtain signatures of the chairman on a cheque of higher value for withdrawing the amount. But as the Project Director and the chairman were not on speaking terms, the former made two cheques for the said amount and drew the money. All this could happen only because the Project Director has emerged most powerful on account of the factors described earlier.

The main thrust of the working of DRDA is based on the identification of beneficiaries followed by the financial assistance partly from DRDA as margin money and loan from banks and Scheduled Castes and Backward Castes Corporation also. It is interesting to study the process of identification of beneficiaries, sanction of margin money and advancement of loan from the financial institutions.

⁷Vide interviews held on June 9, 1982 with the Chairman, Zilla Parishad, and President, Panchayat Samithi, Khammam Block.

⁸*Ibid.*

Cluster Village Criteria

In order to bring 6000 families in a block area during the Sixth Plan period as stated earlier, certain villages in a Block are to be identified which could be called as a cluster of villages. This approach, of development is described as area approach. Under area approach, the selected group of villages are subjected to intensive, integrated development prowess. The criteria for selecting such clusters in each block primarily was proximity to financial institutions⁹ like banks. Though the intention to create the DRDA was, perhaps, to see that the benefits reach the individual beneficiary in a block, but it was unmindful of other considerations like the distance of the village to the bank or block headquarters. However, the strange phenomena revealed during the study was that primary importance was accorded to financial institution rather than the individual beneficiary. It amounts to or perhaps means that the villages far away from the financial institutions could not be covered under the DRDA programmes.

The second criteria for the selection of cluster of villages was to choose a village where there are no large number of defaulters.¹⁰ This factor added another interesting dimension to these programmes. The District Collector and Magistrate stated¹¹ that almost 80 per cent of the individual beneficiaries in the district are covered by one or the other programmes with financial assistance from various banks and they were found to be defaulters. He expressed an apprehension that soon a situation may develop where one has to search for a beneficiary who is not a defaulter. Again, it is stated that almost all the members in a family have received some sort of loan under various schemes. This, perhaps, leads one to presume that the financial assistance so extended was not endowed with effective follow-up programmes like further financial support, if necessary, to see that the project is grounded to yield the desired dividends. Further a genuine beneficiary was not located for the financial assistance and pursued till the project was grounded. On account of these reasons, perhaps, there is a large number of beneficiaries who became defaulters. It may be pertinent here to state an interesting instance¹² pertaining to rules regarding purchase of buffalo from specified areas away from the locality. Since the buffalo so purchased could not adjust to the climate of the area, the beneficiaries could not achieve the desired results and became defaulters. As a result, many beneficiaries either sold their buffalo or were not in a position to feed the buffalo. Incurring loss in this way, they became defaulters. Therefore, the criteria for cluster of villages should be based on the

⁹Interviews held on June 6, 1982 with officials of DRDA, Bank officials and the Block Development Officer at Khammam.

¹⁰Interviews of June 6, 1982, *op. cit.*

¹¹Interviews held on June 6, 1982 with the District Collector and Magistrate of Khammam.

¹²Interviews held on June 8, 1982 with the beneficiaries.

beneficiaries, however far away they may be located in the block, rather than proximity to the financial institutions.

Identification of Target Groups

The thrust of the DRDA programme is heavily dependent on identification of target groups, which is the responsibility¹³ of the Block Development Officer, Agricultural Assistant-cum-Extension Officer of the block, assisted by Sub-Assistants and Village Development Officer. These officials depend on Patwari (the village revenue official who maintains land and land revenue records) to identify the beneficiary whose income per annum does not exceed Rs. 3,600. It was revealed that generally the Patwari's word was treated as final regarding the economic status of the beneficiary, i.e., possession of landed property, income, etc. None among the above mentioned officers physically verify the relevant revenue records, like *khata* and *phani* to assess the landed property and the income. The Patwari, who is known for his notoriety in Indian revenue administration, is consulted on such an important matter. It is stated¹⁴ that the Patwari generally, helps the officials in identifying the beneficiary even without taking the assistance of any such records. It is surprising that though no systematic survey was conducted in the whole district to identify the target groups, the DRDA and other financial institutions advanced financial assistance. It is intriguing that the selection of beneficiaries was made mostly from the list of the survey made in the year 1975-76 for the purpose of SFDA and IRD programmes. The information collected some six years ago could not be helpful for DRDA programmes which commenced in 1981 as many changes might have taken place during the intervening six year period.

A political functionary, like the President of the Panchayat Samithi, is not statutorily associated with the DRDA programmes. The political executives of Panchayat Raj are neither involved in the process of identification of beneficiaries at the village level nor in transmitting the cases of beneficiaries to the DRDA. As a result, the political chief executives of the Panchayat Raj institutions tend to become indifferent to these programmes. It may be difficult to achieve desired results unless people's participation is ensured in all the processes of programmes.

It is reported that a proposal is being formulated in the concerned Union Government department to identify the beneficiaries in the Gram Sabha meeting. The proposal is ideal as identification of undeserving beneficiaries in the presence of Gram Sabha will not be possible. But in this regard, experiences, especially in Andhra Pradesh, about the functioning of Gram Sabha will have to be borne in mind. The meetings of Gram Sabha are

¹³Vide interviews held on June 8, 1982 with the beneficiaries and the officers involved in the process of identification of Target Groups.

¹⁴Interviews held on June 8, 1982 with the leaders of village.

rarely convened.¹⁵ Though the records show that the meetings of Gram Sabha are convened and decisions arrived at, but in practice the Gram Sabha rarely meets. Besides, some practical difficulties in undertaking an activity like identification of beneficiaries in the meetings of an unwieldy body like Gram Sabha, the process may at times possibly lead to friction if any protest comes forth on wrong identification of the beneficiary.

It is interesting to study the process of identification of the beneficiary after it has been completed at the village level. According to the relevant rules, it is observed that such an identification has to be certified by the concerned Tahsildar. It is observed that on the basis of the certification made by the Patwari, the Tahsildar attests it. Then the case is transmitted to the BDO who prepares a detailed note about the case and sends it to the Chairman of the DRDA. It may be mentioned, here, that the role of the BDO finishes after just forwarding the case of the beneficiary to the DRDA. He is not entrusted with the responsibility to see whether the project is grounded properly and the necessary supplementary financial or technical assistance required by the beneficiary is extended. Thus, an organisational device is needed to identify the beneficiaries on more scientific lines.

The DRDA processes applications of beneficiaries verifying all the formalities completed earlier and transmits it to the concerned bank by releasing the subsidy. Though applications are forwarded to various financial institutions for grant of loan, the margin money is not released by DRDA.¹⁶ It is stated that there are several cases pending with the DRDA. The financial institution, in certain cases, waits even for several months for release of the margin money.¹⁷

Multiple Agency System

Too many institutions are involved in the process of providing financial assistance. They are DRDA for margin money, several banks (like Grameen banks, commercial banks, nationalised banks) and also the Scheduled Castes and Scheduled Tribes Corporation for granting loans. Besides, other agencies are also involved, like District Industrial Centre, which processes applications for marginal money, and gives technical clearance for various small and cottage industrial schemes planned by individual entrepreneurs, including the technical training. In all nearly eight different agencies are involved in the process of identification of beneficiaries, sanction of margin money and also grant of loan which causes delays in clearing of projects and gives scope for several administrative evils, like red-tapism, speed money, etc. It has been observed that the agencies concerned apportion blame for delays against each other in serving the

¹⁵Vide discussions held on June 9, 1982 with some voters of Panchayat Samithi, Khammam.

¹⁶Vide interview held on June 10, 1982 with the officials of the banks.

¹⁷*Ibid.*

beneficiaries by shifting the responsibility.¹⁸ The role of the DRDA is not just limited to clearance of margin money but to coordinate with various agencies for early finalisation and grounding the projects. But as reported,¹⁹ its role has been that of inaction.

CONCLUSIONS

The phenomena mentioned in preceding paras call for a change in the existing multiple-agency system. All the financial institutions could evolve some sort of a system by placing funds at the disposal of the Chairman of the DRDA assisted by a liaison officer so that he could clear the projects.

The study of organisation and working of the DRDA Khammam calls for far-reaching changes regarding organisational structure, cluster village criteria, identification of beneficiaries, etc., as given in the following paras.

The DRDA shall consist of those members who can invite popular participation: membership of officials may be dispensed with. The initiative must rest with the people's representatives and other elites who are known for their service to the people. The association of Chairman, Zilla Parishad with the DRDA as Vice-chairman does not contribute much as there is a feeling that other political Chief Executives of Panchayat Raj are not associated with it.²⁰ Unless the political functionaries of Panchayat Raj are involved in all these programmes at the highest decision-making as well as implementing levels, the desired results may not be achieved; such a step would also push out the middlemen (Pairaveekars) to a large extent. The President of Panchayat Samithi is kept aloof whereas the BDO, who discharges his functions under his administrative control, is entrusted with the responsibility of identification of beneficiaries and also processing their applications to DRDA for sanction of loans. This is a very strange organisational arrangement and does not contribute to sound organisational functioning. The Governing Body shall consist of Chairman, Zilla Parishad, Presidents of Panchayat Samithis in the district, and representatives of the Central and State Governments. The Chairman of the Zilla Parishad shall be the Chairman of DRDA. The institution of Project Director may continue with a difference. The executive committee shall consist of Chairman, Zilla Parishad, two Samithi Presidents and two beneficiaries nominated by the Chairman. The Chairman, Zilla Parishad shall head the Executive Committee. The casting vote shall rest with the Chairman. The Executive Committee may meet as often as possible. It has to exercise control over

¹⁸Vide interviews held on June 10, 1982 with officials of DRDA and various financial institutions.

¹⁹*Ibid.*

²⁰Interview held on June 9, 1982 with the Chairman, Zilla Parishad, Khammam.

the Project Director. This organisational arrangement leaves the Project Director to act within his limits.

The cluster village criteria should not be the nearness of the bank. Instead, the banks should reach the beneficiaries irrespective of the distance from the headquarters of the banks. With reference to the statement of the District Collector regarding the difficulty in locating a person who is not a defaulter under one or the other programme, it is suggested that the entire amount may be advanced as a grant to the beneficiary till the project is grounded and sustained.

The rules and regulations should be framed in such a manner that they help the beneficiary. The rules regarding purchase of buffalo from particular place must be scrapped.

A committee may be constituted at the village level headed by the Sarpanch of the Village Panchayat for identification of beneficiaries. The Committee shall consist of Village Development Officer, concerned extension officer, a member of Panchayat, and Patwari. All the members shall have to physically verify the revenue records and other sources of income and all of them must be made responsible for the issuance of certificate. Attestation of income certificate by Tahsildar be withdrawn to avoid the delay.

Multiple agency system should be scrapped to avoid delays. The advances to be made by each bank be fixed in a meeting with the District Collector. All the money shall be deposited in the name of the Chairman, DRDA. A liaison officer be appointed to head the monitoring cell to take care of the follow-up action. Managers and other heads of financial institutions may meet as often as possible to assess the needs, etc., under the presidentship of the Chairman, DRDA.

As the Panchayat Raj bodies have the necessary infrastructure and experience in development functions, the whole programme may be handed over to them. In such a case, the DDO will discharge the functions of the Project Director, the present Executive Committee of DRDA may be the policy-making body for the purpose and the DDO himself would discharge duties of the liaison officer.

Some of the beneficiaries have stated that they were not aware of the types of programmes and assistance how to proceed and whom to approach. Such a communication gap or unawareness created a category of middlemen (Pairaveekars) who seized the opportunity to make money. They spoil the officials too.²¹ The DRDA has not taken care to set up a public relations wing in its organisation and educate the people about various schemes and sources of financial assistance. Therefore, a Public Relations Officer with specialisation in rural development may be appointed.

²¹Vide interviews held on June 8, 1982 with some of the beneficiaries.

Appendix

COMPOSITION OF THE GOVERNING BODY OF DRDA

GOVERNMENT OF ANDHRA PRADESH ABSTRACT

INTEGRATED RURAL DEVELOPMENT PROGRAMME—Extension to all Blocks with effect from October 2, 1980—Setting up of Rural Development Agencies—Constitution of Governing Bodies of the Agencies—Orders Issued.

FORESTS AND RURAL DEVELOPMENT (RDV) DEPARTMENT

G.O.Ms. No. 44

Dated, the 12th February, 1982

Read:

1. G.O.Ms. No. 508, Forests and Rural Development (SF) Department, dated 5.10.1974.

Read also:

2. From the Government of India, Ministry of Rural Reconstruction, D.O.Lr. No. 71012/30/80-IRD, dated 4.10.1980.
3. G.O.Ms. No. 62, Forests and Rural Dev. (RDV) Department, dated 13.2.1981.
4. From the Government of India, Lr. No. 11011/43/81-IRD-II, dated 10.3.1981.

ORDER

2. In continuation of the orders issued in the G.O. read above, Government direct that the following amendments to the Memorandum and Articles of Association of the District Rural Development Agencies shall be registered under the Societies Registration Act in all the districts except Hyderabad Urban districts. The Governing Body will consist of the following:

1. District Collector (Chairman).
2. Chairman, Zilla Parishad of the District (Vice-Chairman).
3. Joint or Additional Secretary to Government of India, Ministry of Rural Reconstruction, New Delhi or his nominee, as ordered by Government of India (Member).
4. Joint Secretary or Deputy Secretary, Forests and Rural Development Department, Government of Andhra Pradesh (Member).
5. Joint/Deputy Director, Agriculture of the District (Member).
6. District Cooperative Officer (Member).
7. Joint/Deputy Director (AH) (Member).
8. Assistant Director (Fisheries) (Member).
9. Divisional Forest Officer, Headquarters (Member).
10. Executive Engineer (Minor Irrigation), Irrigation Branch (Member).
11. Executive Engineer, Panchayat Raj Department (Member).
12. General Manager, District Industries Centre (Member).
13. Executive Officer, S.C./B.C. Corporation (Member).
14. Representative of the Reserve Bank of India (Member).
15. Representative of Agricultural Refinance and Development Corporation (Member).
16. One representative of the Cooperative Central Bank at the District Headquarters (Member).
17. Regional Officer of the A.P. Cooperative Central Agricultural Development Bank having jurisdiction.

18. Lead Bank Officer in the District (Member).
19. Chairman, Regional Rural Bank (if covered) (Member).
20. Project Officer, Integrated Tribal Development Agency, if the district is covered by ITDA (Member).
21. District Women Welfare Officer (Member).
22. One member of Parliament from the district to be nominated by government (Member).
23. Two M.L.As. from the district to be nominated by government in Forests and Rural Development Department (Members).
24. Two presidents of Panchayat Samithi to be nominated by Government in Forests and Rural Development Department (Members).
25. District Development Officer (Member).
26. Two representatives of the weaker sections one of whom may be drawn from Scheduled Castes/Scheduled Tribes to be nominated by government in Forests and Rural Development Department (Members).
27. One representative of Rural Women to be nominated by the Government in Forests and Rural Development Department (Member).
28. Project Director (Member-Secretary-cum-Treasurer). □

Rural Development and Bureaucracy in India

Shriram Maheshwari

RURAL DEVELOPMENT programmes, on successful implementation of which directly hinges the destiny of as much as eighty per cent of the country's population, are characterised by certain features worth noting. First, the instrumentality of rural development in India is public bureaucracy and the assumption of responsibility in the field is not a recent event, dating back, in fact, to the early days of the British rule. Suffice it to say, the colonial economy enlivened with welfarism was the initial motivation for the British Government to initiate and administer programmes of rural development.¹ That this happened in an age of *laissez-faire* is itself remarkable. Secondly, all the major components of rural development are the direct responsibility of the state governments under the Constitution of India but it is the Central Government which, in practice, is providing the principal drive and leadership to the whole field of rural development, backing it with massive funds. This has the effect among others, of integrating the two levels of bureaucracy in a federal system. Not only is the career bureaucracy the instrument of rural development but even the voluntary agencies—such as are operating in this area—are able to exist largely because of the bounties from the public exchequer.

What the foregoing emphasises is the centrality of position which bureaucracy occupies in the field of rural development. By the seventies, the rural development bureaucracy had crossed the figure of 80,000 and today it is nearly 100,000 strong. This fact of bureaucracy being there for rural reconstruction and that too in such a large number may sound surprising, even incredible at least for two reasons. Rural development was an important commitment of the national struggle for independence under the leadership of Mahatma Gandhi. But the Mahatma premised it on self-help and mutual cooperation on the part of the villagers. Mahatma Gandhi once clearly observed: I "hate to see government servants prowling in the streets of Indian villages." How contrary it is to the present model of rural development in which the bureaucracy acts as the policy-making and implementing agency of rural development? Thus, the character of rural development has

¹See B.B. Misra, *District Administration and Rural Development in India*, Delhi, Oxford University Press, 1983. The history of rural development in India is discussed in the present author's *Rural Development Administration in India*, New Delhi, Sage Publications (forthcoming).

undergone a basic change, and in independent India it is a nearly hundred per cent bureaucratic programme.

No less striking is the utilisation of the traditional bureaucracy for administration of rural developmental programmes. The bureaucracy was a suspect in the nationalist eye and was even subjected to repeated criticism by the political leadership. Mahatma Gandhi, Jawaharlal Nehru, Sardar Vallabhbhai Patel and others were publicly critical of the colonial bureaucracy. Mahatma Gandhi had dubbed it as 'top heavy and ruinously expensive'.² Jawaharlal Nehru criticised it in his *An Autobiography*: "Of one thing I am quite sure, that no new order can be built up in India so long as the spirit of the Indian Civil Service pervades our administration and our public service . . . The Indian Civil Service and similar services must disappear completely, as such, before we can start real work on a new order".³ Sardar Vallabhbhai Patel had criticised it in no uncertain terms in 1946 when, as the Home Member in the Government of India, he could not even have a recalcitrant deputy commissioner of a district transferred.

It really calls for an explanation why the administrative system of independent India did not undergo an overhaul despite its sustained public criticism in the earlier period. There could perhaps be three viable explanations for its continuity. First, the style and manner in which India won its political independence from the British, became the dominant governing norm in all walks of its public life. India, it may be recalled, acquired its independence under the Indian Independence Act, 1947, and the process was called 'transfer of power'. Indian independence, in other words, was characterised by extreme constitutionality and legality, and this fostered an environment, ruling out any radical or violent change with the past. The dominant ethos of the time was constitutional and legal, and this provided the setting for the consideration of the country's public services also. Not only were these not to be changed but they were given new sanctions also. The Constitution of India includes a chapter dealing with public service and it confers safeguards on it. This is surprising as constitutions are known to include charters of rights to the people, but the Constitution of India, it is remarkable to note, provides protection and safeguards to the 'ruling servants'. In short, legality pervaded all actions, and in this context the continuity of the colonial bureaucracy looked but imminent. Secondly, a sudden and significant change in the disposition of the national leaders *vis-a-vis* bureaucracy occurred once they themselves stepped into government positions. As political executives, they came in close and continuous contact with the public servants and must have apparently been impressed with them, or at any rate, seen their many qualities of dedication

²Quoted in *Mahatma Gandhi, The Man and His Mission*, Madras, Natesan & Co., 1930 (Eighth Edition) p. 40.

³Jawaharlal Nehru, *An Autobiography* London, Bodley Head, 1955 Edition, p. 445.

and professionalism, in the process shedding their misgivings about the inherited bureaucratic system. Finally, Jawaharlal Nehru did not evince any deep abiding interest in matters concerning bureaucracy and administration despite his occasional philosophising, instead it was Sardar Patel who was the effective decision-maker in the field of public administration. And Sardar Patel soon emerged as the greatest protector and even admirer of the bureaucracy, changing completely his earlier perceptions.⁴

The bureaucratic system that India has at present is thus inherited from the colonial rulers, and it is this one which is entrusted with the functions and responsibilities of rural development, of course, with new graftings on it as mentioned earlier, and modifications, when necessary, of the older one. Of course, it would be utterly unrealistic to expect the bureaucracy and administration to continue along the traditional track in the traditional style. Bureaucracy had to fit into the new constitutional framework and it was subject to environmental pressures and forces which, if anything, have been growingly becoming more intense, even at times aggressive. The structural changes in the machinery of administration have also been many.

The burden of the theme is that in India what is called revenue bureaucracy has been mobilised for rural developmental functions, and the changes and additions that have been planned since the start of the Community Development Programme in 1952 are all built around it. The employment of the regulatory administration for such tasks and its hegemonic role in development have not been without confusion, conflicts and even contradictions, a state of affairs which has not till this day been satisfactorily resolved. This lack of consonance between the old and the emerging is best explained by Albert Mayer of the Etawah Pilot Project. Albert Mayer argues that the revenue bureaucracy "distinctly looks down on the other services—technical services, development services". It also very much looks down on underlings—The essence of the Etawah Pilot Project is that it is the opposite of this. It has developed a new kind of service to the people because it opened up the potential of both the underling worker and the technical worker by giving them a strong voice in work and decisions and encouraging them to use it. This was very new. In the early days it was exhilarating as every one together breathed new air.⁵

INNOVATIONS IN RURAL BUREAUCRACY

The most striking innovations made by rural development right at the start of its career were principally three : block development officer as head

⁴His observations in the Constituent Assembly of India when the civil service safeguards were discussed, are given in *Constituent Assembly Debates*, 1949, Vol. X, pp. 48-50.

⁵Albert Mayer, *Pilot Project India*, Berkeley, University of California Press, 1956, p. 68.

of the development block, the new unit of administration : village level worker as the joint agent of all development agencies in the village; and development commissioner as the coordinating functionary at the state level.

The BDO

The concept of a block manifested itself in the fifties though it first made its appearance, in embryo, in the *Report of the Famine Enquiry Commission* (1945). This Commission considered people's cooperation as crucial in the successful execution of schemes of rural reconstruction and development and suggested that it should be sought and obtained through panchayats. Its specific recommendation was for the setting up of a Rural Development Advisory Council in each tehsil (or its equivalent) to be composed of the presidents of panchayats of the area. A tehsil was thus emerging as a new level of rural administration. The Draft Outline of the First Five Year Plan (1951) carried the idea forward and made the firm recommendation in favour of carrying out a block of 50 to 60 villages with a population of about 25,000 to 30,000.⁶ The Block has thus emerged as a basic unit of rural development administration and this unit is headed by a block development officer.

The VLW

The second innovation made by rural development administration in India is the village level worker, and this functionary, so ubiquitous in rural India today, was first conceived in December 1946 by the architect of the Etawah Pilot Project, Albert Mayer and put into the field in 1948 when the Pilot Project was started.⁷ Hitherto, the normal practice with the nation-building departments was to have their individual representatives in the village, thus forcing the farmer to deal with several public functionaries for what to him was the same problem. This created a measure of confusion, particularly at the farmer's end. Secondly, these village level functionaries were working separately and unrelatedly, almost in watertight compartments, and the approach of each such official very often was that the farmer should fit into his formula or remedy and not *vice versa*. There was hardly any attempt on the part of them to relate their programmes or activities to each other or to the requirements of the farmer, their avowed target. The helpless farmer in the circumstance, simply got nonplussed and did not really know whom to listen and adhere to. Thirdly, the bottom level functionary was too ill-paid and ill-equipped to be able to inspire the cultivator and sustain his confidence in his advice. The village level worker is consolidation of all of them, the joint representative of several departments.

⁶Albert Mayer, *op. cit.*, p. 25.

⁷*The First Five Year Plan: A Draft Outline*, New Delhi, Planning Commission, 1951, p. 87. Also see the *First Five Year Plan*, New Delhi, Planning Commission, 1951, Chapter on "Community Development and Rural Extension".

Besides, he is a trained individual capable of solving many of the farmers' day-to-day problems in the initial stage itself and where necessary he would obtain expert advice from the higher level to which he is linked.

The Development Commissioner

The Development Commissioner at the state headquarters to coordinate developmental programmes of different departments and to over see and expedite their implementation is another innovation of development administration in India. The Planning Commission had recommended the setting up of this functionary at the very start of the Community Projects in India though the state of Uttar Pradesh (then called United Provinces) had a development commissioner since 1946.⁸ The Commission observed: "The apex of the machinery of rural development will be the development commissioner for the state. This will be an office of the greatest importance because the success of the entire programme of rural development and agricultural production will depend on the type of person appointed as development commissioner and his competence as the leader of a team comprising heads of departments."

These three may be identified as the most outstanding early innovations made by rural developmental programmes. This does not imply that no other changes in bureaucracy and administration have been made. Many specialists have been recruited and the number of specialisms required to push rural developmental programmes has also been on the increase.

Bureaucracy at the Central Level

Both the Central Government and the states are deeply involved in rural developmental programmes, but the role of the Centre, primarily, is one of policy-making, determination of priorities, monitoring and evaluation, and provision of financial assistance. The Ministry of Rural Development is the nodal agency for rural development in the Government of India, but also involved are various other departments and ministries which, too, have their own programmes and schemes for people in rural areas. The Ministry of Rural Development is presently administering the various anti-poverty programmes, and its bureaucracy advises the states on all conceivable matters; one has only to see the official compendium "Important Circulars on Integrated Rural Development Programme" running into no less than 709 pages to judge for himself if any discretion is at all left to the states in tailoring the programmes to their local needs. This is a very striking feature of rural development—a very high measure of centralisation. Like other ministries, this ministry too is manned by generalist civil services, and the personnel need not possess any specialised experience or knowledge.

⁸The First Five Year Plan: A Draft Outline, *op. cit.*, p. 91.

State Level Bureaucracy

As already mentioned, rural development is the direct responsibility of the state governments, and to this end each state has created an administrative machinery at the headquarters which is expected to lay down policies in the field of rural development to oversee their implementation, provide finances and act as trouble-shooter. However, in view of the immensely extended responsibilities of the centre in this field and the latter's detailed supervision and control, the personality of the states has suffered eclipse and indeed many of them are nearly acting as post office, content to receive instructions from New Delhi and transmit them to the district-level functionaries charged with the responsibility of implementation of rural development programmes. Nor are the personnel, occupying middle and senior level management positions in the headquarters, specialists in the area, and this particularly attracted the attention of Albert Mayer. He observed: "What is probably a heritage from British Indian practice—practice that may have suited government in a simpler way with simpler functions and objectives, but is not quite inadequate—is the idea that a man trained as an administrator can administer anything, without any special training or experience in a specific branch, and that he can readily shift from one job or one department to another without loss to the work. Both at the secretariat level and below, I have myself seen these constant shifts, with these disconcerting results:

- (a) The administrator himself is at sea and spends a large portion of his incumbency period in figuring out what his job really is about. He has during this large portion of his incumbency neither knowledge nor experience that he can fall back on and there is generally a period of stagnation and mistakes.
- (b) Due to this condition, the technical men, the operating people in the departments, become thwarted and cynical. They do not have the confidence in the secretary and the deputy secretary that is indispensable for good team-work. They often feel—and from my observation often rightly—that the secretary and the deputy Secretary do not supply a helpful channel to the minister, but constitute an encumbrance.
- (c) When these repeated changes take place, there is generally something of an upheaval for each administrator has ideas of his own. Many unpredictable changes take place which in the absolute are probably not often an improvement, but are more frequently harmful, because, the subordinates have to reorient themselves constantly.⁹

This long excerpt has been given to show a rather semi-primitive condition

⁹Albert Mayer, *op. cit.*, p. 60.

of the state-level bureaucracy in the area of rural development as perceived by a rural development expert of unquestioned repute. Though basic systematic changes in both the personnel of administration and its machinery are necessary, the least that can or must be done immediately is to have at least the deputy secretary, that is number two man, from the technical department and to give both the secretary and other senior officers in the department a longer term, say, of five years. Quick transfers of personnel introduces uncertainty in administrative actions, stalls the initiative and drive in the subordinates, and renders accountability meaningless. Equally important, the senior positions in the secretariat departments must be filled by men who have the right qualifications and orientations. Albert Mayer cited illustrations to prove that a particular post in the department was strategically important but was filled up in a way which no longer made it a 'helpful device'. This is how, according to him, the new job in the department of the development commissioner was filled up.¹⁰

India has had executed over 40 programmes of rural development since independence, beginning with the Community Projects Programme of 1952, but the most ambitious of all is the Integrated Rural Development Programme (IRDP) underway since the eighties. The IRDP subsumes the programmes relating to Smaller Farmers Development Agency, Special Livestock Production, Training of Rural Youth for Self-Employment and covers all the 5011 blocks in the country. The Programme is designed for the benefit of the rural poor, taking the family as the unit of development. In what follows, it is proposed to analyse this programme and its implementation by the career bureaucracy.

IRDP AND BUREAUCRACY

The blueprint of the implementation of the Integrated Rural Development Programme has been finalised by the Union Government in all its details and the state governments, as usual, have fallen in line with the master design with virtually no deviations and departures from the central prescription encouraged or even allowed. As is the case with many allied programmes, the IRDP is a highly centralised one and all details about it have been worked out at the level of the Central Ministry of Rural Development and the Planning Commission. The state governments have over the years become merely implementing organs even though the components of rural development fall under their constitutional jurisdiction in India. Such a level of centralisation prevents local adjustments, inhibits innovations and introduces uncalled for rigidity in the system.

The body made responsible for implementation of schemes and plans in rural development is the District Rural Development Agency (DRDA),

¹⁰Albert Mayer, *op. cit.*, p. 62.

which has as its head the district collector (except in West Bengal) and includes the various district heads of departments dealing with functional areas, such as agriculture, cooperation, animal husbandry, etc. In addition, DRDA includes a couple of non-officials and is, besides, equipped with a planning team consisting of an economist, a credit planning officer and a rural industries officer to undertake preparation of the plan, project formulation and implementation in respect of their sectors.

As the district collector has many responsibilities and as such cannot devote an adequate amount of his time and energy to rural development, a full time functionary, generally at the level of additional district magistrate, is made the executive officer, called project director, and made responsible for day-to-day functioning. Except for the team, all these officials have remained associated with the rural developmental programmes right since the days of the Etawah Pilot Project (1948).

An innovation made since the seventies was to bring all these concerned functionaries together under a single umbrella of an agency and get it registered as a society under the Societies Registration Act. This legal status seeks to enable DRDA to operate its activities flexibly and along commercial lines and to escape from the rule of lapse which is applicable to all departmental activities and under which funds remaining unspent by the end of the financial year lapse. What is even more important, the agency form of organisation is also calculated to build up cohesion and facilitate coordinated articulation of the programme.

Whether district collector should be associated with developmental administration or not is a question which has been debated since the days of the Bengal Administration Enquiry Committee (1945).¹¹ Both Gujarat and Maharashtra have, however, hived off developmental functions from regulatory ones and have set up an entirely new functionary—chief executive officer/district development officer—to look after the former set of functions. But other states have taken the view that developmental tasks would get more effectively performed by a close association of the traditionally honoured district collector with them, and accordingly have made him the head of the agency. Howsoever, highly an office is traditionally viewed by the citizens an excess load on it is apt to bring it under heavy stress and strip it of its supposedly magical potency; and precisely this has happened to the office of the district collector.

Besides, the member of the IAS appointed to this post is too inexperienced an officer having barely put in four or five years of service to command the cooperation and respect of other district level functionaries who possess vastly more experience and are older in age. What is even worse, he is subject to frequent transfers, his average stay being less than

¹¹*Report of the Bengal Administration Enquiry Committee*, Alipur, Bengal Printing Press, 1945, pp. 19-20.

Integrated Rural Development Programme: A Dilemma?

Madhukar Gupta

IN RECENT months, a lot of interest has been generated in the press and among academicians, economists and planners regarding the poverty-alleviation programmes, more particularly the Integrated Rural Development Programme (IRDP). A large number of investigative studies have also been carried out recently by a number of institutions. This widespread interest is not surprising, because the IRDP is unique in many ways and never before has a programme of such dimensions and complexities been attempted in our own developmental effort and experience, nor has such a massive effort been made in any other developing country.

The resultant debate is both opportune and necessary as we move into the Seventh Plan period. For the same reason, it would have to be viewed with circumspection and a broad vision of past performance and potential of our economy in the foreseeable future, with specific reference to the disadvantaged sections of population. The observation, made more than two decades ago in a Planning Commission paper, by Late Pitamber Pant that "... such widespread poverty is a challenge which no society can afford to ignore for long . . . (and) the central concern of our planning has to be the removal of poverty as early as possible" would be an appropriate backdrop for discussion that follows, because the goal, conceived in a 15-year perspective ending 1976 in the same paper, is still found to be caught up in methodological controversies even at the end of the Sixth Plan and in the meanwhile poverty, as an absolute phenomenon, in all likelihood, continues to affect, as starkly as ever, anywhere up to 40 per cent of the rural population.

SIXTH PLAN STRATEGY

Without quoting a host of statistical evidence about trends in respect of poverty ratio, the relative distribution of assets and household consumption expenditure, land concentration ratios, etc., which had led the Sixth Plan to start a series of direct measures aimed at poverty alleviation, I would only quote from *Approach to the Seventh Plan*: "The guide principles of the Seventh Five Year Plan should continue to be growth, equity and social justice, self-reliance, improved efficiency and productivity (and)

within this framework . . . there must be a sharper focus on employment and poverty alleviation." That this is not likely to come about through measures aimed only at sectoral growth is clear when in this document it has been observed : "the package of poverty alleviation programmes will continue at an accelerated pace in the Seventh Plan" and the Sixth Plan objective of reduction of the percentage of people below the poverty line to less than 10 per cent by 1994-95 "will continue to be the goal (which) . . . will require a large investment in the programmes aimed at giving self-employment and wage employment to the poorer sections of the community". The significance of this is greater because within the long-term target mentioned above, the Sixth Plan had also stated that the population below the poverty line would come down to 30 per cent by 1984-85, which apparently has not materialised. The fault would evidently be at both ends, viz., inadequacy of the growth rate actually achieved and shortfalls in the achievements expected from the special redistributive and poverty alleviation measures. It is evident, therefore, that a separate focus towards the disadvantaged sections of the community would have to continue. The question would arise as to what should be the total strategic content and what kind of programmes should form part of such a strategy.

The Sixth Plan had envisaged a three-pronged strategy involving *inter alia*: (i) increase in the incomes of the rural poor through measures for creation of productive asset-based self-employment opportunities, and supplementary wage opportunities for those who are largely assetless; (ii) development of ecologically disadvantaged areas where availability of employment is limited and poverty more widespread and intense; and (iii) provision of basic material needs and social consumption facilities to improve the quality of life, particularly of the poor.

In a sense, there was nothing new about this strategy because, in terms of different segments of planned activity, each component had been there at least from the early or mid-seventies. The crucial difference was in respect of the view taken in the Sixth Plan regarding the first component and the fact that an integrated package of programmes was provided, a target and time-frame was determined and, substantial resources were set apart.

The main programmes which aimed at the disadvantaged groups prior to the Sixth Plan were the SFDA and MFAL. Some of the significant aspects of these programmes, as brought out in the Sixth Plan document, are that they had a limited area spread (1818 blocks), sectoral focus was limited to the primary sector and the beneficiary coverage, by and large, confined to persons with some land holding, and the investments had not resulted in adequate additional asset creation with 6.1 million out of the total 8 million beneficiaries having been assisted to get agricultural inputs, implements and demonstrations, etc. The idea of Integrated Rural Development which was first mentioned in the Finance Minister's Budget speech in 1976, had been developed into a Plan concept in the Draft Sixth

Five Year Plan (1978-83) when it was decided that the existing SFDA/MFAL/DPAP/CAD will be provided a wider focus and the Programme of Integrated Rural Development (IRD) aimed at full employment, with special emphasis on the target group through the Antyodaya approach, would be gradually extended at the rate of 300 new blocks per annum so as to cover 3500 blocks by the end of the Plan period.

During Sixth Five Year Plan (1980-85), in the context of the long-term poverty reduction projections for 1994-95, the IRDP was extended to the whole country (5011 blocks at that time) in the form of a scheme for productive skill (through TRYSEM) and asset endowment to the rural poor who were to be identified by a poverty line based on a monthly per capita income, linked to a minimum caloric intake. In addition, a large National Rural Employment Programme (NREP) to provide wage employment opportunities, particularly to that segment of the rural poor who are without assets, was launched to supplement the IRDP as a part of the wider strategy mentioned earlier.

A target of assisting 15 million households under the IRDP, through a mix of government subsidies and institutional credit, was fixed for the Sixth Plan, and this was intended to be done in such a manner as to provide self-employment opportunities to a substantial number of families in activities outside agriculture, also [it is aimed to cover 33 per cent of families in the Industries Services and Business (ISB) sectors]. The task was indeed massive, and in a sense even over-optimistic. Numerous studies carried out on the subject show that not more than 30-40 per cent of the families assisted may have been able to go across the poverty line, a large proportion of these would be from amongst those who were already very close to that level, and that a fairly high percentage of families assisted were ineligible to begin with. In this background, doubts have been expressed about the efficacy of this whole approach and suggestions have been made either to curtail it drastically or even to substitute it by a concentrated thrust on the provision of wage employment opportunities.

SOME FINDINGS ABOUT THE PROGRAMME

Some Limitations

Apart from relatively low rate of success of the programme in terms of number of households assisted going above the poverty line, other important findings of the various studies are given below. Before we go into these, however, it may be mentioned that some major studies have drawn their conclusions about the additional income accrual to the beneficiary households in terms of current prices, which would mean that the absolute rate of immediate post assistance income accrual would have

been substantially higher:

1. The percentage of wrong identification has been between 3 to 30 per cent in different states, a higher percentage being noticed in many areas where the local people and institutions were not involved meaningfully in the selection process. This can be said to bring considerable distortions in the programme, limiting its potential to achieve wider objectives.
2. The level of assistance provided was very low—particularly in the context of the poorest amongst the poor, who would have a wider income gap—and would not generate enough additional income to push such households above the poverty line. In such a situation, even if there were some income increases immediately, the households could easily relapse into poverty and may, in any case, not be able to pursue the concerned activity as a main occupation, which, particularly in the case of the landless, could easily lead the beneficiaries into indebtedness.
3. According to certain studies, the capital output ratio of 1.5 : 1 assumed in the Sixth Plan was unrealistic and a ratio of 3 : 1 would be more realistic, with different activities having an ICOR ranging from 1.28 to 5.10. The implications of a higher ICOR would obviously relate to a higher per capita investment requirement.
4. A tendency was observed all over the country to concentrate attention on animal husbandry, particularly milch cattle. In a large number of cases, where the beneficiaries may have been near the poverty line, this resulted in a relatively higher rate of success. But, in a majority of the cases of the poorer beneficiaries, assistance in this sector was found to be prone to leakages and even unproductive because of poor quality of animals, low yields, and absence of support structures for feed, health cover and marketing. In the ISB Sector, which was intended to account for 33 per cent of the total coverage, there had been a preference for petty business activities rather than productive industrial and service ventures. While such assistance could lead to immediate increases in income, which was preferable both to the beneficiary and the banks, the life of such investments was found to be short and permanent and lasting assets were not created.
5. The Sixth Plan had adopted a household approach, which would also have meant provision of a package of activities to each identified family under the IRDP. However, this approach was generally not adopted.
6. Many of the above mentioned problems were found to stem from inadequacy of staff both at the block and district levels and lack of coordination between the District Rural Development Agency

(DRDA), the Block and other departments, which caused bottlenecks in preparation of proper household surveys and plans, and development of Perspective and Annual Action Plans to reflect a balanced mix of sectoral priorities based on local needs and resource availability.

7. A vital constraint brought out uniformly relates to absence of backward and forward linkages which limits the productive potential and the absorption capacity in respect of assets endowed. It has also been brought out that the sheer volume of asset endowment could easily lead to constraints in respect of productive absorption of the output in the economy, and could thus become counter-productive.
8. Serious problems have also been encountered in the flow of credit, even though in quantitative terms it may reach the Rs. 3,000 crores level, as envisaged in the Sixth Plan. Some of the important problems noticed in respect of credit flow are:
 - (a) Poor staffing in bank branches which has resulted in delays in disposal of loan applications, insufficient scrutiny leading to sub-optimal projectisation and, inadequate follow up of the loan cases;
 - (b) Insistence on security, in spite of instructions that it will neither be demanded nor accepted for loans up to Rs. 5,000 under the programme, which has not only affected the credit flow but has also diverted it towards those who are relatively better off; and
 - (c) Prescription of unrealistically short loan repayment schedules, leading to defaults in repayment and inability on the part of the household to use it productively.
9. Some important limitations of a wider nature have also been brought out which include the following:
 - (a) Uniform physical targets had been prescribed (600 beneficiaries per block per annum) which in certain cases has led to a very wide and thin spread of benefits and even selection of wrong beneficiaries in areas where the poverty ratio is not large enough to match the physical targets.
 - (b) Similarly, outlays under the programme have been made on a uniform basis per block without having regard to its size, population and incidence of poverty. As a result, the programme did not have any meaningful relationship with the spread of poverty which varies widely from 12 per cent in Punjab to 69 per cent in Orissa, according to the NSSO Survey of 1984.

Some Gains

Before we go further, some positive features brought out by the various studies could also be usefully looked into.

Even if all the beneficiaries have not been able to go above the poverty line, between 50 to 90 per cent of them have registered income increases in varying degrees. The number of earning members in many of the assisted households has increased. The period of employment per month has gone up. In some areas, there has actually been an impact on the occupational structure, *e.g.*, in the Surat district of Gujarat, a new class of workers depending upon animal husbandry, accounting for 51.4 per cent of the total workers, has come into being as a result of the programme, as discovered by the South Gujarat University study. A preliminary evaluation of the programme made by the Programme Evaluation Organisation of the Planning Commission (in September 1981) also brought out that the scheme was gradually establishing itself in the rural areas and most of the beneficiaries were receiving benefits in the form of additional family income.

It would also be relevant to observe that most of the studies conducted so far have had a reference period covering the first two years of the Plan, when the programme was really in a nascent stage; it was launched in its present form only on October 2, 1980. The fact that a beginning had made in 1978-79, which often makes people say that the programme is now seven years old and, also that the SFDA had been in operation even before that, would not affect the validity of the proposition stated above. It has to be realised that the IRDP is very different from the SFDA and, in any case, right from the beginning it has covered more than double the number of blocks covered under SFDA. In fact, wrong identification in the earlier years (this has been considered as a major criticism of the programme) could, to an extent, be attributed to the fact that lists of identified beneficiaries for the SFDA were available. In the light of the fact that land-holding was an effective indicator for identifying the target group under that programme, it obviously left considerable scope for distortions in income terms and also according preference to those who are relatively better off in the poverty group.

Over the years, the administrative machinery has been considerably strengthened through a Centrally sponsored scheme which seeks to provide a full team of functionaries at the block level and a Planning and Monitoring Cell at the State level, and the people and the implementing agencies alike have begun to understand the programme and much of its complexities. The average investment per household has increased from Rs. 1,642 in 1980-81 to Rs. 3,178 in 1983-84. In terms of the beneficiary-coverage target and financial allocation target of Rs. 600 and Rs. 8 lakhs per block respectively, this would appear to be the maximum limit of investment that can be achieved, because the average subsidy per household, net of expenses for administration, infrastructure, etc., would amount to around Rs. 1,000 only, which

could attract an average of Rs. 2,000 as credit with the prevailing credit-subsidy ratio of 2 : 1. Viewed as such, the current low level of investment should not necessarily be viewed as a failure of the programme or the programme implementing agencies. Finally, it would have to be remembered that the programme was extended to the whole country without adequate preparation and detailed exercises about the required project investment and ICOR levels leading to distortions in projected returns and impact and in a substantial mis-match between physical targets and financial outlays.

AN APPRAISAL OF THE STRATEGY: SOME ISSUES

The weaknesses brought out in various studies, and the validity and effectiveness of the approach that is reflected in the IRDP, have to be viewed in the backdrop of the foregoing review. It would thus be evident that apart from lack of preparedness of the delivery mechanism (which undoubtedly cannot be taken for granted), the biggest stumbling block of the programme has been the unrealistic level of household investment, which even with the best of delivery would have had limited potential, and with weaker systems could, in fact, leave the way wide open for misuse and even misappropriation.

Although it is not really possible to assume a uniform ICOR for the programme, because each activity would have a different ICOR, it is widely felt that for macro formulations, an ICOR of 2.5 to 2.7 would be reasonably realistic. This would mean that the average per household level of investment would have to be substantially higher at around Rs. 6,000 to 7,500, or more than double the level achieved so far in the Sixth Plan.

The vital question would then arise: Can the poorest of the poor absorb this investment? Many would straightway answer in the negative. Herein, comes the question of subsidies, a term increasingly becoming repugnant to many, though often only when it can be traced to a household. While the need to gradually break away from the subsidy culture is too obvious to be denied, yet if the poor have to be provided with productive self-employment opportunities, this will continue to be necessary as margin money support for some time to come. In fact, we may have to go a step forward and even review the subsidy levels, as in certain cases these may actually have to be higher than the present levels. The prevailing subsidy levels were originally adopted under the SFDA/MFAL where the beneficiary classes were linked to status in land holding rather than to levels of income. The same subsidy for households in the 'very very poor' (incomes up to Rs. 1,500 per annum) and even the 'very poor' (incomes between Rs. 1,500 and Rs. 2,500 per annum), categories would evidently not stand the test of financial logic.

Raising Absorptive Capacity of the Poor

In addition to a review of subsidy levels, certain other steps would also be necessary to increase the absorptive capacity of the poor and strengthen their receiving mechanisms as follows:

1. As mentioned earlier, the banks have often prescribed unrealistically short repayment schedules. In fact, it has even been noticed in some areas, that wherever a second animal has to be provided in a milch cattle project, there is insistence on repayment of the loan for the first animal, thus making a virtual farce of the whole idea of a viable project. In the context of the poorest among the poor, there would be need to have a relative long project financing period, with longer repayment schedules, and perhaps, even an element of moratorium, *e.g.*, in the case of milch animals, a second animal could be provided after six months and repayments started only after that, within a schedule of at least 5-7 years. Further, if project financing has to be conceived in a manner, which can provide for continuous development of the assets endowed, the concept of a Cash Credit Limit (CCL) may also have to be developed for IRDP loanees. Such a concept could, in fact, promote regular contact between the bankers and the beneficiaries, and create an in-built element of supervision and follow up.
2. Adoption of a total household approach, whereunder more than one small schemes can be given to a household over a period of time, could help to build up its asset base and absorption capacity gradually. A multi-asset scheme under the IRDP has been started by NABARD in Bihar. This could be usefully replicated elsewhere. In fact, such an approach may have to be widely followed as a follow up of the investments already made in respect of a sizeable number of households in the Sixth Plan, to ensure that they do not actually have to be written off. Such supplementary assistance to some Sixth Plan beneficiaries would have to be viewed as an integral part of the programme in the Seventh Plan.
3. Another way of strengthening the absorption and productive capacity of dispersed and isolated small producers, would be through the adoption of the group approach on a significant scale. This could be conceived in terms of cooperatives, registered societies, and even informal groups working on the basis of individual ownership, group guarantee and common use of forward and backward service linkages. Such groups could be organised at identified focal points in areas of spatial concentration of similar activities; or in the form of production estates developed at the sites of new housing clusters developed under the Rural Housing Programmes; or, as linear clusters, *e.g.*, in the form of cooperatives linked to milk routes; or

even in the form of organisation of common services for agricultural operations on small and marginal holdings or allotted lands to be brought together through limited consolidation operations. Some useful lessons, in the context of the Group Approach may also be available from the Small Farmers, Development Programme of Nepal.

These approaches, in fact create an immense potential for innovative efforts under the programme, and if adopted would disprove a common criticism that there is no flexibility in the guidelines. It also shows that an organisation like NABARD would have to work in close collaboration with the state governments to develop different alternative models and packages, and also to work out appropriate modes of assistance for different classes of beneficiaries. Given the will and capacity to build upon these possibilities, even the poorest among the poor can be helped and even enabled to absorb the assistance.

4. Other ways of strengthening the receiving mechanisms of the households in the lower deciles of the poverty group would be by bringing in greater integration with the other sub-components of the total package. Primarily, this would relate to redistributive land reforms and the special wage employment programmes.
 - (a) Ironically enough, a separate scheme has been continued even in the Sixth Plan for providing an outright grant (now Rs. 2,500 per ha.) for land development to the assignees of surplus ceiling land, which is often routed in the field through the revenue agency and not the DRDA. Ordinarily one would have expected that with a programme like the IRDP is in operation, land allotment would be viewed as the first step in the process of productive asset endowment, to be followed by credit-linked assistance to develop it. Not surprisingly, the progress of expenditure under the above scheme has been very poor. In the process, however, a chance to view certain land reform measures as a core of the asset endowment programmes has not been utilised. A vast army of the landless poor could be covered if this approach were to be adopted as an integral part of the total IRDP methodology, and in the process, agriculture production could also be increased substantially.
 - (b) As for wage employment programmes, they can be viewed in three ways—either as an integral part of the anti-poverty strategy or as special measures to promote employment opportunities in certain areas in times of calamities or as continuous programmes for asset creation with the important added objective of widening wage employment opportunities. Let

us now view them in the first of these ways. On the face of it, these programmes would appear to be supplementary (which does not necessarily imply a secondary status) to the asset endowment programmes, where they would serve to provide additional income to the assetless poor who may have been provided with productive assistance under the IRDP or are otherwise marginal asset holders, to help them meet their consumption requirements as also in the better management of the asset endowed, or else as a means of providing income for sustenance to those assetless poor who may not have been approached at all. The assurance of 100 days employment to at least one member of each rural landless household (as distinguished from a guarantee for the right of work to all wage seekers) provided under the Rural Landless Employment Guarantee Programme, started as an expansion of the NREP in 1983-84, would also point to this. Viewed as such, if a convergence could be brought about in the beneficiary clientele of the IRDP and the Special Employment Programmes, the absorption capacity of the assetless poor could be considerably enhanced.

- (c) The Minimum Needs Programme, although very much a part of strategic package, does not really have any specific target group so far. Conscious direction of certain services, primarily those aimed at Human Resource Development, viz., health (immunisation, MCH and family welfare), education (enrolment, prevention of drop-outs and adult literacy), nutrition, housing for the rural landless, together with certain additional components, like energy for domestic fuel (as distinguished from electrification), sanitation, etc., could be viewed as a Basic Needs Package (BNP) and given a specific direction towards the target groups. This would help considerably in strengthening the overall capacity of the poor to participate in productive economic activity.

IRDP and the Rural Economy

The next important issue relates to the capacity of the economy to absorb both the investment and the output.

Given the fact that the net investment per household may have to be anywhere between Rs. 6,000 and 7,500, in order to be productive, and also that finances for establishment and infrastructure (currently 10 per cent each of the overall outlay), may have to be provided separately,¹ finances to

¹In the report of the Expert Group on Programmes for Alleviation of Poverty, Planning Commission, Government of India, 1982, it has been suggested that funds equivalent to 20 per cent of the outlays should be provided for services support.

the tune of 3 to 4 times of the Sixth Plan outlays may be required to sustain a programme of the same physical dimensions in the Seventh Plan. Assuming the requirement so determined to be around Rs. 5,000 crores, it would be only 2.8 per cent of the Public Sector outlay of Rs. 1,80,000 mentioned in recent times in the context of the Seventh Plan. Quite apart from the negligible level of relative outlays as compared to the impact sought to be attained, it would also be almost self-evident that given the cost and time over-runs in major capital projects, the current Plant Load Factor (PLF) in power plants coupled with theft and distribution losses of power, the unutilised potential in major irrigation projects, etc., no major trade-off between capital accumulation and distribution would really be involved.

Another equally important issue relates to absorption capacity of the economy in relation to the output of IRDP projects in terms of demand and marketability. There has been criticism on this point. The relationship between the IRDP and the rural economy could, in fact, be viewed here in a somewhat wider sense, which would also comprehend the effects of the programme in terms of its capacity to result in net asset creation and/or value addition in the economy.

Viewed thus, the issue would really pertain to choice of schemes. With the emphasis of the IRDP on the animal husbandry sector in the Sixth Plan, it has often been dubbed as a "cow and buffalo programme". In the process, decrepit animals have been traded at high costs and often just gone round and round, and even good animals have been known to lose their yield both in terms of milk and money because of inadequate feeding or lack of marketing support. Somewhat similar problems, stemming largely from lack of support services, have been experienced in activities in the ISB Sector, where for this and various other reasons, there has been a tendency to concentrate on small business. Even in the secondary sector, loans have in some cases been given as one-time working capital assistance, which may temporarily break the strangle-hold of the middle man but does not guarantee self-sustenance or even net value addition.

While all this has been observed and commented upon, few have really cared to see whether all this is inevitable and inescapable, or whether better results were possible. Even today, one could draw a long list of old and new schemes which are aimed at substantially the same target groups, but often with differing parameters of assistance, which continue to operate as a part of the sectoral plans without much reference to their impact, in terms of duplication, and more importantly, in terms of crowding the rural economy with the same activities. The standard logic, that these are production programmes while the IRDP is a beneficiary oriented poverty alleviation programme, has not only continued to justify an independent entity for such schemes, but has actually led to their continued proliferation. There are others under which subsidy and assistance is provided and could be squarely directed towards the target group, which is not happening now. What

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comes out dangerously is that if sectoral plan formulation continues with the logic mentioned above, the IRDP could actually drift towards a complete welfare orientation.²

A few instances would suffice to bring home the point:

1. While unsatisfactory identification of beneficiaries under the IRDP was being criticised³, the apprehension that because of the Antyodaya approach of the IRDP, the Small and Marginal Farmers may be left out, led to launching of massive programme for assistance to Small and Marginal Farmers, which provides Rs. 5 lakhs per block (as compared to Rs. 8 lakhs per block under the IRDP) for assistance (on the IRDP pattern) for minor irrigation, farm forestry, and mini-kits. Apart from the inevitable problems in implementation, since this programme functions under separate guidelines from a separate department (Agriculture), it also took away, at one stroke, a host of primary sector activities from the ambit of the IRDP without changing the definition of its target group.
2. A massive Operation Flood II programme has been in operation in the animal husbandry sector which is likely to cover over six million families in the Seventh Plan and it is understood that similar arrangements in non-Operation Flood II (OF-II) areas are being proposed through the normal sectoral plan. The Expert Group on Programmes for Alleviation of Poverty had recommended that 75 per cent of the families chosen for the special package of assistance under OF-II should be from among the landless poor. Such an orientation would have automatically provided the entire gamut of support services, the absence of which vitiates the IRDP in considerable measure today. Moreover, such an arrangement would sustain a coverage larger than even 30 per cent of the 15 million IRDP beneficiaries under the milch cattle programme alone. Evidently, the bane of the programme so far could easily have been its biggest strength, with only a slight shift in the focus of sectoral departments and programmes in a direction which has otherwise

²See the following observation made by the Late Prime Minister, in her address to the Institute of Economic Growth, Delhi:

Planning was chosen as a method to attack the problem of poverty (which) . . . is the most degrading experience of human existence . . . Hence, our special Programmes designed to meet the problems of the poor . . . the rationale of (which) is not charity, not providing temporary relief or doles (but) strengthening the productive capacity of those who today produce very little.

³The Mid-Term Appraisal of the Sixth Plan says: ". . . although IRDP requires that the beneficiaries should be selected from the poorest groups, in quite a few states a sizeable number of the beneficiaries selected belong to the category of small and marginal farmers."

been given overwhelming importance in Plan (as distinguished from planning) priorities.

There are other target group oriented schemes in this sector for distribution of poultry, ducks, sheep, etc., which are also apparently in the nature of duplicatory programmes when seen along with the IRDP.

3. Within the programmes of the Department of Rural Development itself, different unit-cost norms have persisted under some schemes under the Special Livestock Production Programme (SLPP) and the IRDP and one actually hears of relative preferences being expressed for 'DRDA assistance' as compared to 'SLPP assistance'.
4. In the ISB Sector which has experienced dearth of productive schemes, the Khadi and Village Industries Commission (KVIC) which was asked to cover 50 beneficiaries per block each year from 1981-82 has not been able to achieve even 10 per cent of this target, because of difficulties in identification and linking of target group families with KVI projects. Programmes of the District Industries Centres are also operating which have the same target as the IRDP in terms of occupational classification, but the rates of subsidy are different and assistance is available separately for capital expenditure on equipment and shed construction, and for margin subsidy, unlike the one time capital subsidy with a ceiling of Rs. 3,000 under the IRDP.
5. A number of new schemes have been suggested in other sectors, e.g., in the non-conventional energy sector, massive programmes are proposed, for installation of bio-gas plants on a vastly expanded scale, improved chulhas, etc. Instead of having separate training and subsidy programmes for them, they could easily be enmeshed with TRYSEM and IRDP and production and service ventures could perhaps be promoted on a large scale through the ISB Component of the latter.

In short, the possibilities for choice of schemes under IRDP are immense, even within well-defined sectoral priorities, but only if the whole issue is dealt with in a collaborative manner rather than in a competitive spirit.

On the other hand, the belief that infrastructural support for the IRDP would come mainly from the sectoral departments, has not really materialised.

The foregoing discussion would *prima facie* show that there is scope to plan, for sectors relevant to rural development, within a framework, where target group oriented activities should be taken up primarily under the broad umbrella of the IRDP, with patterns of assistance dictated by the requirements of viability for each type of scheme. The major pre-occupation of the sectoral departments should be on what could then really be with productive activities pertaining to development and upgrading of assets

and product quality, research and technology development, and provision of infrastructure support. For the disaggregatable elements of these activities which can be directly linked with the target group schemes, the sectoral plans could then be required to have anti-poverty sub-plans on the lines of the Special Component Plan (SCP).

Composite Rural Infrastructure Support

In this framework, some activities relating to institution building for supply of inputs/raw materials, marketing, technology, dissemination and training, etc., and the provision of common infrastructure facilities, like communications, electrification, etc., would have to be common to both sets of activities and provided in the context of decentralised spatial planning. For this, if one may use a 'CRISP' jargon, an attempt could be made to develop what may be called a Composite Rural Infrastructure Sub-Plan.

It would be seen from this discussion that if we are willing to view the IRDP in a wider perspective, as indeed the Approach to the Seventh Plan has also stressed, then it is not only possible to implement it successfully, *per se*, but together with the special Employment and Area Development Programmes, it really provides the nucleus, and in fact the starting point, for decentralised planning which we have been struggling unsuccessfully with for years now. An observation of Dr. Nilkantha Rath, in his recent T.A. Pai Memorial Address, which compared the full employment approach of the IRD of the Draft Sixth Five Year Plan, to the limited and purely beneficiary-oriented approach of the IRDP as implemented in the Sixth Plan, is relevant here, with the difference that perceived along with all the linkages that must be provided to make it successful, the IRDP has similar implications and, indeed must have, the same imperatives.

As already mentioned, steps have been taken in the Sixth Plan to strengthen the administrative machinery, and at the block level alone over 20,000 additional posts have been sanctioned. But many of these measures could really be called efforts in the nature of patchwork, unless the whole machinery is geared to provide the desired inter-sectoral integration and coordination, particularly at the district and the block level, and is viewed as a part of a larger delivery mechanism involving public participation, voluntary action, and most importantly, the participation of the beneficiary groups themselves. The subject is too wide to be dealt with here. But it is heartening to note that the question of a review aimed at strengthening and reorganisation of the whole administrative machinery for rural development is under consideration at the higher planning levels. A number of steps for providing institutional linkages, inter-sectoral integration at the planning stage itself, and for the involvement of the people through local institutions, voluntary agencies and organisation of the poor are being considered.

IS THERE A DILEMMA?

All these are a direct result, primarily, of the assessment of the first four years' experience of the IRDP. It would be an irony and more so, a setback, both to the planning process and popular aspirations if—just when the programme, its planning and implementing agencies and its receiving mechanism are getting ready and geared for the take-off—the programme itself, due to its early failings, should find itself stranded at the cross-roads and not know which way, and how far, to go. Can there be a doubt that when it comes to developing human beings, within a shared perception of the “Programme-Technology-People” complex, it cannot be an act of a magician? It does take time—wisdom lies in that. □

Evaluation of Rural Development Programmes: Criteria and Methodology

A.P. Barnabas

IN EXTENSION Education, particularly in the area of programme planning, evaluation has been a basic and a growing concept. Its dimensions have widened over the years and, as Caro puts it, "evaluation research is not new but nevertheless an increasingly robust enterprise".¹

Evaluation can be defined as a systematic assessment of progress—progress being intervention to guide innovation in a particular direction. It would, therefore, be obvious that "adequate assessment of existing and innovative programme can be a vital force in directing social change . . .".²

"Evaluation aims to determine whether the project objectives set in terms of expected output effects and impacts are being or will be met. This leads to an assessment of the results achieved and the lesson to be drawn for future improvement in a later phase or in a similar project elsewhere."³ There are a large number of definitions which tend to be variations of the above.⁴

The basic factor in evaluation is that it refers to measurement of deliberate intervention particularly in the context of rural development programmes. For evaluation to be effective, it has to be systematic, *i.e.*, based on a scientific method—"evaluative research is the use of scientific methods for collecting data concerning the degree to which some specified activity achieves some desired effect".⁵

The purposes of evaluation are implied in the definition. These can be spelled out as follows:

- (a) to determine progress;
- (b) to determine the distance travelled in a given time towards

¹Francis G. Caro, *Readings in Evaluation Research*, New York, Russel Sage, 1971.

²*Ibid.*

³D.J. Casley and D.A. Lury, *A Handbook on Monitoring and Evaluation of Agriculture and Rural Development Projects*, Washington, The World Bank, 1981.

⁴"The procedure by which the programmes are studied to ascertain their effectiveness in the fulfilment of goals." Greenbird (1969).

"The determination of the results attained by some activity designed to accomplish some valued goals or objectives"—Suchman (quoted in Caro, *op. cit.*).

⁵Edward A. Suchman, "Evaluating Educational Programs".

organisational goal in relation to the total time set for such achievement;

- (c) to determine the shortfalls and the reasons thereof, *i.e.*, to judge the efficacy of methods; and
- (d) to provide guidance in the execution or planning of future activities.⁶

TYPES OF EVALUATION

By and large, evaluation has tended to refer to 'ex-post facto' analysis. Naturally, this has raised questions regarding the utility of findings of such an approach. The argument has been that it is difficult to conduct an evaluation of an on-going programme and that the conclusions would provide guidance for future programmes. While the 'ex-post facto' remains the major approach, other approaches are also being adopted increasingly. Often there is an effort to determine the possibility of acceptance of intervention, *i.e.*, to analyse objectives, methods to be used, possible response of intended beneficiaries, resources available, implementation process, etc. Such an approach is termed 'feasibility' study. Its major purpose is to indicate the extent of success that may be achieved and bottlenecks that may be encountered.

The 'concurrent' approach refers to evaluation techniques used in on-going programme—some of which may be 'action-research' programmes. Usually, in this approach the aspect of 'evaluation' is built into the programme. There is a regular periodic assessment of progress which is analysed and, if need be, corrective action taken. Though various aspects dealt in this article refer to a large extent to 'ex-post facto' approach, yet substantial part of it will also be relevant to 'concurrent' evaluation.

CONTENTS OF EVALUATION

Evaluation is concerned with accomplishment and impact. Various dimensions of a programme will have to be covered if a comprehensive assessment is intended. Such an approach would be relevant in the 'ex-post

⁶The Programme Evaluation Organisation of the Planning Commission in India has the following objectives:

- Keeping all concerned apprised currently of the progress being made towards accomplishing programme objectives;
- Pointing out those extension methods which are proving effective and which are not;
- Helping explain why some recommended practices are adopted while others are rejected; and
- Furnishing insights into the impact of national extension and community development programme upon rural economy and culture.

facto' model. But in the concurrent model, it would be necessary to delineate, through a careful analysis, key elements or indicators which would provide the necessary data for decision-making.

One approach is to consider the following four areas in evaluation: (1) Effort (the amount of action), (2) Effect (result of the effort), (3) Process (how effect was achieved), and (4) Efficiency (factors in relation to cost).

Another approach spells out factors to be studied in more detail and suggests the following: (1) Policy and objectives of the programme, (2) Specific activities, (3) Implementation systems, (4) Personnel policy, (5) Operating methods and procedures (including communication), (6) Time element, and (7) Cost.

It would be necessary to study specific aspects under each of these items. However, it is not possible to suggest the specific areas for all of them in this brief article.

The questions that need to be investigated to evaluate policy and objectives could be the following:

- Is the policy clearly defined?
- Can the policy be operationalised in terms of action programmes?
- Is the policy in keeping with the general aim of rural development?
- Has the policy taken into consideration the resources available?
- Is the policy dynamic, *i.e.*, can it lead from one level of achievement to higher levels of achievement?

Similarly, detailed questions would have to be formulated for each of the above items.

INDICATORS

One of the most difficult aspects of evaluation is to develop measureable indicators. In India, most of the evaluation studies have approached the problem from the viewpoint of achieving of set targets of the programmes or project. Therefore, they have mostly used performance indicators. Perception and participatory indicators have been occasionally used, particularly in those programmes where attitudinal changes are necessary. The indicators chosen in terms of such target are usually quantified. The indicators to measure a programme are hence derived from the specific goals and objectives of the programmes. They are operationalised in terms of specific questions.⁷

⁷A.P. Barnabas and M. Lakshmiswaramma, "Assessment of Evaluation Systems for Rural Development" in Kuldeep Mathur and Inayatullah (eds.), *Monitoring and Evaluation of Rural Development: Some Asian Experiences*, Kuala Lumpur, U.N. Asian and Pacific Development Centre, 1980.

There are two models of evaluation which have been suggested by Schullberg and Baker: (1) Goal attainment model, and (2) The system model.⁸

The goal attainment model starts with initial goals setting and collects data to measure the achievement. Modifications are made on the basis of the data gathered (if necessary). The approach in India generally tends to be based on this model. The 'system model' is more comprehensive and takes into account aspects of coordination, resources, organisational flexibility, in addition to achievement of goals. This is a holistic approach and hence may be more relevant for evaluating rural development programmes, particularly from sociological perspective.

From this point of view, one may consider the indicators suggested by Casley and Lury⁹ as a starting point. They are: (1) Output indicators, (2) Economic indicators, and (3) Quality of life indicators.

In most rural development projects, outputs are expressed in terms of production—crops, livestock, fish, forestry, etc.

The indicators in such a situation tend to be clearly defined—numbers, acreages, yield, volume, etc. These indicators could be quantified, but the problems involved in quantifying and measuring cannot be underestimated.

The economic indicators have generally been considered in terms of income. With the increase in production, an increase in income is anticipated. However, an accurate definition and measurement is rather difficult. Data on products marketed may be obtained but amounts kept for home consumption would be difficult to calculate. In most Third World countries, particularly among the small farmers, no systematic record is maintained. Such a situation makes it difficult to assess accurately the net income. Net income would have to take into consideration expenditure. The problem here would be to calculate for stored seeds, labour of household members, borrowed implements, etc. Maybe, these would have to be considered as constant in calculating the income. The economic indicators, being concerned with concrete factors, are easier to be quantified.

To develop quantitative indicators to measure the quality of life is more problematic. The choice of indicators of quality of life is even more difficult as the very concept is vague.¹⁰

Among the factors that are taken into consideration are food consumption, health, education, life expectancy, ownership of goods, etc. In evaluation, the assumption would be that intervention would result in improvement in all these factors, *i.e.*, intake of food, expenditure on health, education, accumulation of goods, etc. While the measurement of the calorie intake is difficult in itself, to measure any change would require base line data

⁸Schullberg and Baker, "Program Evaluation Models and the Implementation of Research Findings", Caro, *op. cit.*

⁹Casley and Lury, *op. cit.*

¹⁰*Ibid.*

which are rarely available. Hence, in planning the programme which includes evaluation, an effort at having a bench-mark survey of the indicators to be measured would be necessary. The alternative would be to depend on the information of the respondents, and their perception of the change in nutrition intake or expenditure on health, etc.

There can be indicators that provide qualitative information too. Many of the projects aim at behavioural changes among beneficiary groups. The objectives of an extension programme may range from changing the levels of knowledge to skills used in farming. "To measure such changes, specific tests through questionnaires may have to be constructed in order to show what success is being achieved in this regard. Values of measures on these tests may become indicators of behavioural, attitudinal or knowledge change."¹¹

The indicators suggested above refer to consequences of intervention. If there is greater output, a higher income, increased expenditure on health, etc., it would be assumed that the intervention has had the desired effect. It is also possible that the consequences may not have resulted in improvement of the situation. In either case, the process of intervention, the policy, activities, inputs, personnel, and the environment have to be taken into consideration. The findings of evaluation of either success or failure should provide guidelines both for on-going programmes or planning for future projects.

As mentioned earlier, a holistic approach (system model) would be more relevant in developing meaningful guidelines.

METHODS OF EVALUATION

The primary function of evaluation is to appraise comprehensively a programme, its implementation and its impact. It is suggested that the difference between basic research and evaluative research is one of purpose rather than method. Evaluative research applies the method to problems that have administrative consequences. As rural development programmes are concerned with large sections of people, the most useful methods and techniques appear to be those developed in Social Sciences and in particular the survey and case study methods. The experimental method can also be used if the programme is set up in such a manner as to have controlled groups. This automatically means adherence to all the steps involved in systematic social science research, *viz.*, formulation of problem (maybe hypotheses), selection of sample, collection of evidence, analysis of data and drawing of conclusions. On the basis of the conclusions, suggestions can be made with regard to changes that may be necessary for a more efficient implementation.

¹¹Kuldeep Mathur and Inayatullah, *op. cit.*

The first step for an evaluation study is generally to spell out in detail the problems to be studied. The problems will have to be defined in operational terms so as to get measurable data and information on all key points. If bench-mark data is available, it should be of immense value. In case such information is not available, one may have to fall back on records maintained by the organisation. Much of the current evaluation is confined to quantitative measurement. But in a broader sense, it should include tangible as well as intangible results achieved in relation to the principal objectives of the project evaluated. Innovative behaviour could be a result of introduction of a programme for rural development. This means that the evaluative measurement has to be made not only against the quantitative targets set but also against certain values. Thus conceived, evaluation will be much broader than mere statistical analysis. It would also have a sociological perspective.

Usually, the evaluation of a programme project is expected to be done by agency having the necessary expertise, which preferably have not been involved in its planning and implementation to ensure objectivity.

In recent times, there has been some concern about involving the beneficiaries in the evaluation of rural development programme. Part of this concern is due to the feeling that without such an approach the intended benefits of the programme may not reach the target groups. In a decentralised approach, involvement of the participants from the early stages of the programme, and involvement of beneficiary organisation would be necessary for an effective participation of the beneficiaries in evaluation. However, the experience in such approach is rather limited, but this is not to deny efforts in some countries in this regard. The FAO has developed some documents as guidelines in this regard. "However difficult participatory evaluation may be, the need for consulting beneficiaries of rural development programmes/projects cannot be denied."¹²

There are some prerequisites which, if met, would facilitate evaluation studies. These are:

1. A clear statement of policy,
2. A baseline survey,
3. An indication of the target to be achieved,
4. An accepted set of norms of performance, and
5. An information system which ensures speedy and accurate feedback of information to the decision-making levels of that organisation.

Evaluation can be undertaken even if some of the above prerequisites are not met. The time involved in such a situation would be greater as one may have to collect primary data.

¹²Kuldeep Mathur and Inayatullah, *op. cit.*

ORGANISATION FOR EVALUATION

It has already been mentioned that usually outside agency conducts evaluation. Arguments in favour of outside agency are:

1. It can be more objective;
2. It can question basic premises; and
3. The problem of status is not serious.

However, an evaluation cell within a department would have detailed knowledge of the organisation and the programmes.

USES OF EVALUATION

Evaluation should be a continuous process¹³. Evaluation of a programme assumes that results of a study would be used in making changes in the programme. However, this is more easily said than done. The difficulties in utilising such findings may stem from many areas—limitations of data, time, resource, organisational constraints, policy implications, etc. The administrators generally tend to look askance at any evaluation. The evaluator, has, therefore, to have a working understanding with administrator concerned. This relationship could make all the difference both in getting necessary insights into operation of a programme as well as using the information brought forth in the study by the administrator.

The chances of utilising the findings of evaluation would be much greater if the following steps are taken:

1. Identification of potential users of evaluation results and selection of issues of concern to them as a major focus of study;
2. Involvement of the administrator and the programme practitioner, both inside and outside the project, in the evaluation process;
3. Prompt completion of evaluation and early release of results; and
4. Effective methods for presentation of findings and dissemination of information.

CONCLUSION

To a large extent, the decision-makers have depended on informal approach to evaluation. There is now an effort at a more systematic approach. If evaluation is considered a part of the planning process, the findings of evaluation would become very important for decision-making.

¹³ A.P. Barnabas, "Evaluation of Agricultural Programmes" in *Management of Agriculture*, New Delhi, Indian Institute of Public Administration, 1979.

It can result in revision of policy, changes in programme, modification of the methods used, or reconsideration of the target population. In the ultimate analysis a programme must bring about the desired changes through innovative behaviour among the people for whom the programme is meant. Whether this is happening should be of concern to the administrator and the social scientist. It is through their combined effort to look objectively at the programme that the implementation can become more effective. □

Monitoring Rural Development Programmes

S.K. Pachauri

FOR TOO long, we have been harping on the results achieved under Integrated Rural Development (IRD) programmes. It must, however be seen that we are now facing a challenge in terms of the people's expectations and hopes that have changed over the years. What we want is a dynamic programme which will take into consideration the genuine need of the poor who are always helpless and looking to the authorities for decisions that will facilitate bettering of their lot. Following three important aspects need examination in this regard: (i) The overall policy of rural development—whether there is frequent reference to the conditions in the field to help arrive at rational policy decisions. Is the present policy able to meet the shortcomings of the programme? (ii) The administrative structure—what is its condition and is it capable of successfully translating the policy laid down by the government into success stories? (iii) Are the programmes being reviewed and monitored or is it merely chasing targets?

During the Sixth Plan period, the government approach has been to cover all developmental blocks under the IRD programmes. This strategy suggests a fusing of all developmental approaches and bringing about socio-economic change in the rural areas. The major consideration is that all those earning an annual income of Rs. 3,500 will qualify for assistance. Findings on some of the programmes have revealed that even though assistance was given liberally to the beneficiaries, they, however, did not show signs of crossing the poverty line within a period of one year. This aspect requires rethinking on monitoring. It has been found necessary that an additional input of credit needs to be given in most cases to make economic effort of each targeted household economically viable. Apart from the input, very often the loan becomes a liability. The beneficiary is faced with the problem of repayment of loans. He finds it impossible to repay loans on scheduled time as suggested by the bank. The effort, thus, assumes the form of a negative exercise. Since bulk of the poor are Scheduled Castes/Scheduled Tribes, they require intensive coverage and very special care. For this purpose, the functional cluster approach is necessary so that all categories among them are covered.

The total absence of planning at the district and block levels has resulted in a casual approach in the implementation of programmes. There is a Special Component Plan for the development of Scheduled Castes. It was

expected that flows from the state budgets would be earmarked for Scheduled Castes' development. Though most of the states have taken the idea very seriously, yet as far as implementation is concerned, it is found that much is left uncompleted. Therefore, monitoring of these programmes needs strengthening in order to have an idea about the impact of these schemes in a substantial manner. For the purpose of review and evaluation or to learn from experience, some new ideas were experimented with for the first time, such as introduction of *Vikas Patrika*.

In respect of all the programmes, it is noticed that a great deal of functional integration has to be brought about at the block level. What is actually happening is that a whole lot of procedures, forms and inquiries are being devised and, without properly understanding the implications of these on the programmes, these are being thrust on the beneficiaries. An important aspect is that, while there is a very heavy emphasis on income generating capacity, agricultural programmes are being generally ignored. For a thorough assessment of the status of the farmers, a list of their assets and liabilities has to be kept in view while formulating programmes for them. Another major drawback noticed in this regard is non-availability of managerial skills at the field level. It is done mostly on the whims and fancies of the local officers and no systematic attempt is made to get to the roots of the problem. The eventual casualty is the beneficiary himself. Another aspect of the rural development programme was that during the Sixth Plan period, it was expected that the TRYSEM programme would receive a big boost. But, as experience has shown, this has turned out to be a big non-starter.

The administrative structure is an aspect which should concern serious students of rural development programmes. The Collector and District Magistrate, who is the chief planning and coordinating authority, is the kingpin of district administrative set-up. But he hardly finds any time to concentrate on the various programmes. Most of the time he is busy either with law and order problems or with VIP visits. Only some District Magistrates, having genuine interest, bother to study the problem. At the block level, very few studies have been conducted about the morale of the developmental bureaucracy. The commitment of the rural bureaucracy in developmental programmes needs to be viewed very seriously. For instance, the VLW has hardly any interest in what is going on around him. There is no system of reward or encouragement and hence he cannot be blamed for non-performance. Banking procedures, being very complicated, confuse the applicant and act as a damper on the hopes of the rural poor. There is a fatal fascination for achieving targets rather than the qualitative achievement of goal. Then there is also the problem of access. The villager has to look to the village official so that benefits may trickle down. Here, the middlemen play a role, which, in turn, encourages corruption and nepotism. At the lower level, virtually everyone demands a share from the fruits of development, encouraging corruption in a very big way. Though

such organisational structure and environment is hardly conducive to deliver 'growth with justice', yet it would be wrong to conclude that no progress has been achieved. There is, therefore, a growing need for some hard thinking and introspection. Necessity of more vigorous follow up action is increasingly realised which can only be achieved if monitoring is taken seriously at all levels. The results of monitoring a programme should be analysed and lessons learnt therefrom utilised more productively. The impact of schemes can only be judged by the manner in which they are implemented. It is here that personnel working in the field play an important role. The feedback received should be acted upon and not just filed away. Monitoring has been given a great deal of importance in the Sixth Plan. Let us examine its main constituents.

For the purpose of monitoring of IRD programmes, the Government of India has devised a new identity monitoring card (*Vikas Patrika*) which may be got printed and distributed to all the blocks. One copy of each of the monitoring cards has to be given to the beneficiary and the financing institution. One copy is to be kept at the block level and another is to be maintained at the project level. The responsibility for filling up of the monitoring card and its updating and inspection has to be determined by the project authority and the BDO. It is also required that a list of officials be drawn up who will be responsible for monitoring and implementation of the programme. A schedule is to be prepared fixing their visits to help solve problems of the beneficiaries. Responsibility for collection of data for assessing the impact of the programme in terms of increase in income of the family assisted is required to be fixed. Emphasis is also laid on preparation of a five year perspective plan as well as an annual action plan which has to be prepared by the Project Officer (DRDA) along with his team of experts. The sectoral components of the plan are to be got completed by the subject-matter specialists which necessarily involve visits to blocks to assess collection of data and information. They are also required to visit blocks with the BDO, bank manager and others concerned to get the benefit of their advice.

The Panchayati Raj institutions should also be involved very closely in the preparation and implementation of block plans. These plans should be got endorsed by them. It would be necessary to draw a time schedule for various stages of the plan and fixing clearly the responsibility of various functionaries at their respective levels. Besides, a village plan register, giving details about all identified families and the development programmes drawn for them with the assistance given under the IRD should be maintained at every village. In addition, a list of families who get assistance under IRD should be made available to the departments concerned so that follow up services, like applied nutrition, compulsory family education, adult education, family welfare, children and women programmes, health, housing, etc., may be provided to them systematically. This is necessary as the idea

of poverty removal is not confined to economic development but also to sustain better quality of life by providing the education of their children, health and welfare measures to vulnerable members of the family identified under the programme, etc.

Similarly, instructions have been issued by the various state governments that a special field level effort will have to be made to keep a watch on the work relating to the implementation of programmes meant for uplift of the Scheduled Castes. Certain state governments, like UP and Kerala, have appointed staff for this purpose. It was envisaged that coordination and liaison in respect of schemes implemented by other departments for Scheduled Castes should be achieved. Extra care should be taken for collection of statistics and data relating to Scheduled Castes. Though the Scheduled Castes programmes are being monitored at the district level, however, it is noticed that unless an extraordinary effort is made at this level, it is difficult to pursue the objective of their development. Most of the district officers are sometimes confused about the target allotted to them. The state government departments should desegregate the departmental target to the districts at an early date immediately after passing of the state budget. If this is not done, a large number of problems arise in implementing programmes meant for them.

Here, it may not be out of place to mention that very little effort has so far been made to assess the return from rural development projects. The rate of return and the quantifiable benefits and costs are assessed in a casual manner. Attention should also be paid to some of the unquantified benefits, like availability of social services. Since the effort in the Fifth Plan had been to combine economic development with social services, it would be necessary to focus more attention on this particular aspect.

While the Government of India may issue elaborate instructions on the important aspects of formulation of a block plan, it is noted that nowhere have block plans been prepared in all seriousness by the block organisations except in certain specific cases where expert agencies, namely, National Institute of Rural Development, are involved. The plan formulated by the block merely indicate the list of beneficiaries and the target number of beneficiaries to be achieved and the financial requirements to implement them. The procedure is, by and large, the same as it existed except that identification has become a little more difficult, and that there is a good deal of coordination between the block level functionaries and the bank officers. Even though block level planning has not been undertaken seriously, a strategy is being evolved which relates to identification of beneficiaries and formulation of certain plans for them. In this respect, the concept of cluster project is very important. The following criteria have been prescribed for implementation of programme in cluster:

1. Existence of programme specific infrastructure;

2. Availability of credit institutions;
3. Field level development and capacity to absorb credit to the extent envisaged;
4. Concentration of Scheduled Castes and Scheduled Tribes and other weaker sections below the poverty line; and
5. Existence of other relevant factors facilitating optimum utilisation of resources and effective implementation of the programme.

It is also mentioned that the clusters may be spatial in terms of a number of contiguous villages. The availability of field functionaries, like the VLWs, to shoulder proper responsibility may also be taken into account while deciding on the number of clusters. Here, it may also be mentioned that though it is very easy to identify the clusters of Scheduled Castes and their occupational groups—like cobblers, weavers, stone-cutters, fishermen, etc., but several serious problems arise while adopting cluster project. In some areas, the whole block is divided into a few villages with three to four thousand families. Sometimes a village is selected merely because it happens to be on the main road with only few infrastructure facilities and sometimes the villagers are identified as clusters on the basis of functional homogeneity. Generally, all these projects are adopted due to administrative convenience. It may be pointed out that the poor generally suffer from 'low visibility' as Robert Chambers has complained. There is a grave tendency among large number of rural poor, in particular, to go unnoticed to the casual visitor who hails from the elite middle classes. The touring development expert also may not notice the poor because his time table keeps him on the main road. This happens specially when he is travelling in a car or in a jeep and in between he encounters a gathering of villagers who are presented to him by the block level staff. Even the BDO has little time to spare and see the beneficiaries himself since he delegates this responsibility to extension officers and village-level workers. He himself is most of the time busy in meetings and management of files. Therefore, he has very little time for meeting the beneficiaries individually. The same is the complaint about District Magistrate, who is bogged down with law and order problems and visits of VIPs. As a matter of fact, VIPs are also taken to see villagers on the main road highways and very rarely do they visit interior villages to get a first-hand assessment of rural problems.

There are two aspects which are of growing concern: (a) whatever investment is made on the family, does not get the desired result because of escalation of prices; and (b) the repayment of loan programme is a very big burden on the beneficiary. It is very often noticed that, in some cases, though the loans were sanctioned long time back but the benefit did not reach the person concerned. But even then he, however, is bound to repay the loans along with interest.

It may be possible to reach a large number of beneficiaries if decentralisa-

tion of plans and programmes is made more real. This would necessitate political commitment and administrative will to carry out the policies that are necessary for sponsoring such programmes and strategies. It would also be necessary to encourage local and voluntary effort. This aspect has, however, been largely ignored and treated only in a very casual manner. Rural development projects require a great degree of flexibility and necessary changes in the design should be made in response to lessons of experience. Greater effort should be made to link project management into the central and local government organisations and procedures.

It is equally important to involve the rural poor in the planning and implementation of rural development programmes. Eventually all programmes are meant for them and they should be in the know of the things.

Increased training is necessary at the local level particularly to members of the lower bureaucracy. They often feel neglected and ignored. As a matter of fact, a lot depends on the orientation and determination of the authorities at this level to achieve the object of development programmes. This is one area which is not receiving much attention and consequently the whole monitoring mechanism depends on this group of people for the success of implementation of programmes.

Since all developmental programmes are, by and large, being implemented by the government, it is very necessary to ensure that a healthy relationship develops between weaker sections and the officers. There are a large number of intermediaries, who assume considerable importance and are considered important in the villages. Very often, the lower level officers depend on these people and, hence, a large number of poor people never get identified. It is necessary to see that the officials are free from biases and prejudices. Developmental work is nowadays becoming a very specialised activity, as such a great deal of commitment and understanding is expected from the field-level functionaries. Let us hope we are able to do better during the Seventh Plan period benefiting from experiences of previous years.



SDO and Relief Works—A Study of Madhya Pradesh

Sundeep Khanna

IN MADHYA PRADESH, primary responsibility for administering relief of any kind rests with the Revenue Department.¹ In addition, the Commissioner at the divisional level, and the Collector, at the district level, are responsible for correct preparation and maintenance of scarcity programme and for control over and implementation of the scarcity programmes.² The responsibility extends to relief works executed through the public works, forest and agriculture departments.³ Being the seniormost officer of revenue department in the sub-division, the Sub-Divisional Officer (SDO) has to shoulder responsibility in the matter. He is, normally called upon to face different types of situations caused by: (a) fire, (b) flood, (c) famine, (d) hailstorm, and (e) major accidents.

Flood and famine are somewhat different from the remaining because some sort of planning can be done in advance. In the case of fire, hailstorm and major accidents, very little can be done by way of advance planning. However, the basic thrust of administration in all the situations is the same. Firstly, promptness is most desirable. Relief delayed is relief denied. In case of fire and major accidents, it can endanger human life. In case of flood and famine, delay in grant of relief can lead to migration of population. Secondly, relief should be granted to all the needy persons without being influenced by extraneous considerations. In other words, relief has to be granted on a selective basis to only the eligible persons. Once any discrimination is there, then, the political parties, groups and lobbies try to take political advantage. Consequently, the morale of personnel engaged in relief operations is adversely affected. Therefore, it is very important to objectively identify the victims and to correctly assess the damage. Thirdly, it is advisable to grant and disburse the relief on the spot so that no hardship is caused to the victims in running from one office to another. Moreover, the professional touts do not get a chance to appear on the scene. Touts not only defame the administration but also water down the impact of relief measures. Fourthly, mere grant of cash relief is not enough.

¹See Circular No. 4, Section VI, *Revenue Book Circulars*, Government of Madhya Pradesh.

²Government of Madhya Pradesh, *Scarcity Manual*, 1973, para 20 of 'Introduction'.

³*Ibid*, para 22.

Wherever necessary, relief should be provided in the form of drinking water, fodder, bamboos, poles and cheap foodgrains. Particularly in a drought year, there is either a shortage of foodgrains or its availability is difficult. In such situations, the administration is required to open a large number of fair price shops close to the work sites. In cases where migration of population is noticeable, camps have to be established to provide shelter. The administration has also to take care of public health. In case of fire and accidents, prompt medical care, alone, becomes the most important single factor. Fifthly, close coordination between various government departments, agencies and voluntary organisations is an objective which must be achieved. The SDO is required to play the role of coordinator and leader of the team at the sub-divisional level. The voluntary organisations can be particularly helpful in channelising private charity and for administering gratuitous relief. Voluntary organisations can also be useful for providing relief to those who may not come within the purview of the norms laid down by the government.

However, while doing all this, it is equally necessary to avoid administrative over-reaction which manifests itself in grant of relief to ineligible persons and grant of relief without proper formalities. It so happens that whenever a calamity occurs, VIPs make a beeline for the affected areas. Therefore, to impress them and to avoid complaints, lower level government functionaries are quite willing to make compromises with procedures, rules and regulations which may later on turn out to be financial irregularities. Proper accounting is an essential attribute of any efficient relief agency. Over-reaction can be avoided if the activities and actions are planned properly. For example, in a drought relief programme, the sequence of works should be clearly laid down. In other words, the programme should contain a list of feasible works so that works can be taken up one after the other in order to ensure continuous gainful employment for the affected population. However, where there is no programme or it has become out of date, a situation may arise when all the works are taken up simultaneously or works of lesser utility are taken up first. Therefore, it is very necessary to be clear in mind regarding objectives so as to plan the operations in a systematic and rational manner.

The Scarcity Manual specifically bestows the following powers and duties on the SDO vide para 85 of the Manual:

1. Personally conduct crop-cutting experiments within his sub-division during the period of enquiry into the agricultural position and out-turn estimates.
2. Generally supervise the operations of Tehsildars, Circle Officers, Village Officers, and all subordinate officers and persons concerned with administration of relief except that on public works.
3. Be constantly on tour and visit all affected villages as often as

possible and in particular satisfy himself that:

- (a) relief is being efficiently and economically administered;
- (b) selection for admission to works and gratuitous relief is being properly made;
- (c) Provision for medical inspection and relief is adequate;
- (d) Special precautions are taken to guard the drinking water supply from pollution, in villages in which epidemic disease has broken out;
- (e) Relief accounts are being correctly kept and reports and returns properly submitted; and
- (f) Influential and private persons of the neighbourhood are fully and effectively taking part in the administration of relief and giving such employment and assistance to their tenants and dependants as the circumstances may require; and

4. Regularly inspect relief works and, if called upon to do so, submit an inspection report.

In addition, Para 151 (ii) further lays down that the SDO is competent to sanction village works, such as bunding of nullahs to conserve water during summer, construction of new wells and deepening of old tanks upto an estimated cost of three thousand rupees. Para 255 empowers the state government to authorise the SDOs to perform in respect of their sub-divisions all the duties of check and audit that are imposed on Collector by the Manual. However, the basic role of SDO lies in the selection of work sites and timely submission of returns apart from keeping the Collector informed about the exact state of affairs. He must also help the Collector in coordinating the activities of various departments particularly in the matter of pooling of tools and plants, technical assistants and vehicles. The Collectors generally also like to delegate the powers of appointment of disbursing officers. The SDOs are also expected to negotiate surrender or acquisition of private lands for the purpose of executing relief works.

The Revenue Book Circular Six-4 was amended *vide* Government of Madhya Pradesh Memorandum No. 2869/7073/Seven/9-3, dated 3.10.73 to empower the SDOs to grant financial assistance to needy persons up to Rs. 250. The circular was amended to ensure prompt grant of relief to the families in distress. The provision has been extensively used by the SDOs.

The SDOs are also expected to prepare cases for grant of relief under the provisions of MP Harijan-Adivasi Distress Relief Rules, 1979. These rules provide for relief to only Harijans and tribals in distress. However, where relief is deemed necessary, but it cannot be granted under any specific provision, then, the case is submitted to the General Administration Depart-

ment of the government for grant of relief out of the Chief Minister's Relief Fund.

These are some of the duties of SDOs when faced with a situation of a disaster or natural calamity. However, there is always scope for use of imagination as is illustrated by the following case.

SONBARSA SOCIAL FORESTRY PROJECT

This is the story of a canal-fed prosperous sub-division of Madhya Pradesh which suffered from acute paucity of rainfall from August 1974 to May 1975. This area had suffered from paucity of rainfall at least twice earlier but this time the situation became alarming. In 1965 and 1966, the rainfall fell short of normal in the months of September and October thereby adversely affecting the paddy crop output particularly in unirrigated and canal tail villages. However, in 1974 there was no rainfall after 10 August. As a result, there was insufficient water in the reservoir to feed the canal system in September and October. The agricultural operations were slowed down before these came to a premature halt. From September onwards, the agricultural labourers came out of villages in search of employment.

The state government took notice of the situation and ordered the immediate starting of all development works. Normally, the execution of such works remains suspended from June to November. Employment was initially generated by starting repair, metal collection and consolidation of road works. In October and November, as the situation became a little alarming, small village works were undertaken. These included repair of village tanks and digging of wells and construction of bunds for water storage purposes. In the month of December, the labourers were again partially employed in harvesting whatever was left of paddy crop. Nonetheless, by the middle of January, 1975, alarming situation arose in a group of twenty one villages. The crop output in these villages was less than twenty per cent and it became difficult to procure water for road works. The small village works could no longer sustain the pressure of labour. The local leaders suggested that an irrigation work alone could provide work to about two thousand persons per day. The official dilemma was that no new irrigation work could be taken up in a canal-fed area as no new potential would have been created.

It was in this background that the Sub-Divisional Officer undertook an extensive tour of the villages accompanied by staff of revenue, irrigation and public works department. The SDO went from village to village looking for projects that could be undertaken. The objective was to conceive a project that would become an economic asset in the course of time. Discussions were held with Sarpanchas and also with the block-level Panchayat President. It so happened that when the party was returning back, the SDO

came across a barren patch of land. On local enquiry, it was learnt that it was an isolated protected forest area lying neglected and unattended since the Zamindari abolition days. The neglect was understandable because the nearest forest area was more than twenty kms. away. With some effort, the working plan and the compartment history were located in the office of Divisional Forest Officer at the district headquarters. On a perusal of records, another such patch of forest area was located five kms. away. The idea soon caught the imagination of SDO that the real solution to his problem lay in the sanctioning of a social forestry project for these two patches of forest land. He informally mentioned it to the Collector who instructed the DFO to submit an estimate if the project was feasible.

The SDO, who belonged to the Indian Administrative Service and had soon after joining properly planned his courtesy calls on district and divisional officers, had no problem in personally approaching the DFO and the Conservator of Forests to pay their personal attention to the project. Since very little was known about these forest areas, the Conservator of Forests and the DFO undertook a joint inspection of the area at the instance of the SDO while studying the feasibility, the officers had two problems in their mind which they mentioned to the SDO as follows:

- (a) The problem of protecting the forest growth from the inroads of neighbouring villagers; and
- (b) The inability of local labour to undertake some of the forestry operations.

The SDO hurriedly undertook a tour of all the villages alongwith the subordinate staff of the forest department. The problem was explained to the Sarpanchas and local leaders as also to village chowkidars. It was explained to them that the forest department would agree to undertake the work only if they assured that the cattle and encroachers would be kept away. They were also told that some labour would have to be brought from forest villages and that they would not be allowed to raise hue and cry about it. The villagers readily promised full cooperation and also came forward to join the 'Van Premi Sangh' (forest lovers union)—an idea which the department was having difficulty in seeing. The SDO personally conveyed the resolve of villagers to the Conservator of Forests and the DFO and also promised full cooperation of the revenue and police staff in curbing any evil tendency. Consequently, a project was drawn up to encompass the following operations:

- (a) digging of trenches all around the blocks ;
- (b) cutting of all malformed standing trees and Coppice-shoots;
- (c) cutting of shrub growth;

- (d) preparation of soil for plantation purposes; and
- (e) establishment of a nursery.

The idea was to undertake teak plantation in the inner areas and to raise fruit-bearing trees in the outer areas. All the operations were designed to be labour intensive. The collector quickly gave administrative approval while the Conservator of Forests accorded technical sanction. On February 3, 1975 the work was started without any fanfare. By the middle of February, professional forest labour was also brought from forest villages to the sites.

The SDO also moved swiftly to make other arrangements. Two drinking water wells near the work sites were deepened and bored at the cost of relief work. A fair price shop was opened exclusively for the labour employed at this work. Two water tankers were also stationed there to transport drinking water. A vaccinator was posted to inoculate all persons who came forward to work within three days of their joining for work. The medical officer incharge of the Primary Health Centre was also directed to make regular visits to the work sites. Three officers were appointed to disburse wages to the labour regularly. These officers were drawn from departments other than the forest department. This enabled the forest department officials to pay full attention to the management of the work. The appointment of three disbursing officers also ensured that at least one officer was always available to make payments even if the other two went away on leave or duty.

Simultaneously, a 'Van Premi Sangh' was organised at the sub-divisional level with public representatives and other enlightened opinion leaders, including representatives of the local bar. The objective of the Sangh was to educate the villagers regarding the utility of the forests and to motivate them to protect the same. Branches of the Sangh were organised at each panchayat level and meetings were also organised in bigger villages. The members of the Sangh were also requested to supervise distribution of wages and rations. They also assisted the forest department staff to moderate the pressure of work-seekers whenever it was not possible to employ every person seeking work.

The labour-intensive operations continued up to the middle of June when the rains came and the labourers got back to agricultural operations. Work was provided for total number of 77,349 man-days. It was the only relief work of its type in the region and it received extensive coverage in the regional press and the local All India Radio Station also broadcast a feature in May 1975. About seventyfive thousand teak sapplings were planted out of which forty thousand survived at the end of the first year. A large number of sapplings of mixed specie, e.g., ber, imli, kaju, jamun, munga and karang were also planted and about seventyfive per cent of them survived. The plantation was maintained by the forest department and, again, in the year 1977,

seventyfive thousand sapplings of mixed species were planted.

The 'Van Premi Sangh' proved quite effective and the residents of neighbouring villages also kept their word. By January 1985, it had become a lush green area from a degraded shrub forest. The trees had already attained a height of fifteen feet. □

Book Reviews

Redesigning Rural Development : A Strategic Perspective

BRUCE F. JOHNSTON AND WILLIAM C. CLARK, London, The John Hopkins University Press, 1982, pp. 311, Rs. 145.00.

The book provides a specific strategic perspective by looking into three key programme areas : (a) production-oriented interventions—related to rural employment opportunities and agricultural development; (b) consumption-oriented interventions—dealing with health, nutrition, and family planning; and (c) organisation-oriented interventions—dealing with institution's structures and managerial procedures. The authors critically analyse the historical performance of policies in these programme areas, identify the competitive and complementary relationships among them, and discuss how they can be combined to design feasible and effective strategies for rural reconstruction.

Starting with a general 'development debate', almost on familiar grounds, the authors attempt to continue their pursuit with play of people and ideas, actions and results that together form the history and make the future of development. Development debate has tended to flit from fad to fad rather than build a cumulative body of facts and informed consensus and yet the debate continues! Chapter II analyses the structural and demographic characters of the late-developing countries to establish the fundamental constraints they confront on the feasibility of alternative development strategies, particularly focusing on basic minimum needs of infants, small children, and their mothers. Reviewing production-oriented programmes, to expand rural employment opportunities in Chapter III, the authors strongly argue in favour of broad-based efforts to achieve production gains being superior to effects that concentrate on a few large, highly organised and relatively capital-intensive ventures. This suggestion may flatter the Indian policy makers who have always been in favour of such a strategy. How far broad-based efforts lead to fragmentary approach is a question to which the authors never addressed themselves. In Chapter IV, the focus is on interventions designed to improve the health, nutritional status, and family planning capabilities of the poor as there is substantial potential for strong complementarities among them. A case for an integrated approach to consumption-oriented development activities has been built up. It is heartening to note that the authors realise that integrated approaches place greater demands on institutional infrastructure and managerial competence than their piecemeal alternatives. Chapter V deals with organisational concerns relating to institutional managerial, and

administrative linkages among the various actors in the policy-making process. It is refreshing to look at the basic framework evolved by the authors with particular emphasis on programmes to organise the rural poor and those to organise the 'facilitators'—the civil servants and field staff—who must link national policies to local actions.

The real thrust of the effort is presented in the last chapter with a three-pronged approach. Experience of earlier efforts at policy making and implementation suggests that even the most sophisticated 'thinking through' analyses are inadequate for the complex and uncertain world in which development policies have to be carried out. The authors stress the importance for policy designs, incorporating complementary 'acting out' approaches ranging from market and potential arrangements to 'treat and error' experimentation.

Talking of reflection towards action, the authors wish every practitioner of rural development to act strategically, "to act in recognition of the interconnected determinants of rural well-being and the consequent need for better programme integration, to act in recognition of the long time scales required for fundamental change and the consequent need for more patience and persistence, to act in recognition of the limited scope of theory and analysis and the consequent need for improved 'trial and error' learning" (p. 266). Does it not require a long-term strategy? Who is going to provide the persistent support for such an effort which is so necessary for sustained, broad-based progress in rural development?

Authors plead very strongly for a perspective that stresses the necessity of building cumulative development capabilities from a combination of trial and error experience, novel ideas, increased organisational capacity, and enhanced individual talents. All this will require an adaptive, sequential learning process of policy science. Concentrating on the role of the individual and the initiative that he displays in tackling his problems, makes a difference. Rural development is made and unmade by the pursuits of people, as envisaged in the overall strategy, with involvement and commitment or by being passive and disinterested. Examples of China and Taiwan have been cited where these critical choices have played a pivotal role.

The underlying theme of this essay-type presentation of arguments is that development debate, focusing constructively on fundamental constraints and opportunities, must continue. It is hoped, it will make action and understanding of the people, who make development, become increasingly efficacious. The experience in India, however, shows that too much debate is anti-productive and does not help those below the poverty line, who are impatient with theoretical formulations and want results. Unfortunately, the authors have nothing new to offer. The high expectations that the title of the book raises remain unfulfilled and the curtain falls rather unexpectedly and unceremoniously.

The authors have relied only on secondary data and repeat the arguments

quite often. A careful editing would have removed a number of irritants. These blemishes notwithstanding, the authors have done well to make the book descriptive and readable.

—SUDESH KUMAR SHARMA

Rural Development and Human Rights in South Asia International Commission of Jurists

Geneva, and Human Rights Institute, Lucknow, 1984, pp. 280, Rs. 25.00

This book is the Report of a Seminar held in Lucknow from December 4-9, 1982. The seminar on the theme was jointly organised by the International Commission of Jurists (ICJ), Geneva, and the Human Rights Institute, Lucknow. This was the seventh of a series of third-world seminars organised by the ICJ starting from 1976. The Lucknow seminar was attended by the participants from Bangladesh, India, Nepal, Pakistan and Sri Lanka, besides representatives of International Labour Organization (ILO) and Economic and Social Commission for Asia and the Pacific (ESCAP). The participants included practising lawyers, judges, law teachers, economist and political scientists as well as members of grassroot non-governmental organisations working with the rural poor.

The seminar discussions took place in six committees of the participants which were formed for in-depth coverage of various subjects in the seminar. These were agricultural and economic policies; socio-economic structures at village level; land tenure and land reforms; organisations of rural workers; landless labour and bonded labour; tribals, migrants and other disadvantaged minorities; the role of women in development; population control; health services; violence and counter violence; and legal aid and legal resources for the rural poor. The subjects present interlocking themes and problems. Under these subjects, a large number of human rights issues, considered to be very important for rural development process, were also discussed. By examining the existing situation, practices and impediments to the realisation of human rights by the rural poor, the seminar has made specific recommendations for realisation of human rights to achieve effective operationalisation of "Alternative Rural Development Approach" stressing the values of human dignity, self-reliance, autonomy and participation for alleviating and, ultimately, eradicating rural poverty.

The publication contains the conclusions and recommendations of the seminar together with 30 working papers which were discussed by six committees, opening speech of Y. V. Chandrachud, Chief Justice of India, the key-note addresses of Dr. Clarence Dias and Prof. Upendra Baxi and introductory remarks by Niall MacDermot and R. N. Trivedi.

It has been rightly pointed out that "the modernization-industrialisation-growth-trickle-down model of development" has been found woe-

fully inadequate to tackle the problem of rural poverty and the challenge of rural poverty and as such alleviation/eradication could only be effected through an "Alternative Rural Development Approach" based on a grass-root, bottom-up, participatory process, which could be possible only if the people have certain basic rights. It is within this framework that the various subjects and issues were discussed in the seminar and very useful recommendations have been made for realisation of human rights.

An analysis of the reasons for continuing impoverishment of the rural people of Asia shows that the existing development process and policy frame has made the problem of equitable allocation of benefits and burdens more acute "since the benefits inevitably tend to accrue to the affluent while the burdens inevitably tend to get borne by the poor and the powerless, least equipped to bear such burdens" (p. 60). It was, therefore, crucial to change these unequal and inequitable power and dependency relationships through effective involvement of the rural poor in the development process and establishing the human rights content of development as per the nascent concept of "right to development". The keynote "of the right to development is participation, participation by intended beneficiaries in the formulation, application and review of development policies. To make this a reality and not just a cliché, the people must have certain basic rights—the right to organise themselves and formulate their demands, in other words freedom of association and expression. They must have access to relevant information at all stages, under the right to information. They must be allowed to share in political power, to share in decision-making, making a reality of their political rights" (p. 56).

The seminar has rightly highlighted that "The basic issue was the socio-economic structures at the village level, where the majority live in abject poverty dominated, intimidated and exploited by wealthy farmers, traders and money-lenders. Even the law enforcement authorities are under their sway and powerless to protect their victims. In face of this, the participants were unanimous in holding that, while a strong political will was needed to change this pattern of exploitation and poverty, nothing effective could be achieved unless and until the rural poor organised themselves to create a countervailing power to that of the merchant-farmer-money-lenders. Where this had been done, real progress had been made" (p. 1). The seminar has, therefore, recommended taking immediate steps "to conscientize the rural poor and make them aware of their rights and the methods by which these could be achieved and maintained" (p. 13). This could be done "by improving and fostering the technical, economic and social education of the rural workers" (p. 13). Further, "To help promote rural workers organisations, grassroots non-governmental organisations (NGOs) and other groups in rural areas should conduct a dialogue with the rural poor, with objectives of learning mutually from each other, overcoming their inadequacies, studying the various forms and ways in which workers are exploited, encouraging

positive indigenous values and minimising negative ones, and developing internal leadership. Such organisations should also be instrumental in disseminating relevant information, including information as to people's rights and the available remedies. Visits of lawyers, journalists, university students and other concerned groups should be organised and training programmes, meetings and seminars arranged with effective participation of rural workers" (p. 14). Besides emphasizing the important role of lawyers in this context, the participants felt that the legal process itself needs to be reformed through "a study and review of existing laws and mechanisms, their adequacy to meet emerging problems and the evolution of new models of dispute settlement to suit the changed conditions" (p. 14).

In the field of land reforms, one of the recommendations made by the seminar is: "Women must be specifically included in the land reform process. They should share in the utilisation as well as the ownership of land, in the disposal of its product, and in the benefits. One objective of land reforms should be to bring women into mainstream of productive processes, and into the modern economy as a whole" (p. 14). It has also been recommended that the communal nature of common rights over forests, fisheries and grazing lands should be restored and their use and development should be reserved primarily for the local poor.

Another, important recommendation made by the seminar is that rural development policies should favour the disadvantaged sections of society, like landless and bonded labourers, and decentralisation of decision making should be promoted.

The seminar also recognised the need for population control and recommended flexibility in programmes and increased social security and health service. The emphasis of health services in rural areas should be on preventive aspects, including clean water and sanitation facilities. Appropriate recommendations have also been made in respect of other subjects discussed in the seminar, like bonded and landless labour, role of women in rural development, legal aid and legal services and tackling the problem of violence.

This publication is a very important and useful document and contains excellent material, analysis and suggestions on the "Alternative Approach to Rural Development" through participation of the rural poor with focus on the realisation of basic human rights necessary for their effective participation in the process of rural development. It covers a wide, inter-connected, field and a large number of human rights issues which are very important to the development process. It also contains very useful recommendations both for the realisation of human rights and reorientation of the policies for speedy alleviation/elimination of poverty. The analysis of issues, conclusions and recommendations also clearly underline the need for an integrated view and approach for tackling the problem of poverty through rural development. This book will be of immense value to the administrators,

scholars and social workers in various fields interested in alleviation of poverty and development of the rural poor.

—M.L. SUDAN

The Voice of the Poor—Essays in Economic and Political Persuasion

JOHN GALBRAITH, Cambridge (Mass, Harvard University Press, 1983, pp. 88, \$ 8.95, and

Millions in Poverty Grip—India's Rural Works Programme

S.C. VARMA, New Delhi, Kunj Publishing House, pp. 172, Rs. 90.00

The first book by Galbraith is an edited version of the Rajaji Memorial Lectures delivered by him in India. The theme running through these essays is that it is wrong to transfer economic designs reflected in the advanced stage of development of the developed countries to the developing countries. The experts in these countries make such proposals forgetting that their agricultural and industrial structure has succeeded and not preceded their political and cultural development. In the industrialised countries, the early emphasis was not on capital investment but on political and cultural development. In the USA, Western Europe and Japan, the secure political context was stressed in both thought and action and then education. Economic progress followed later.

He states that poverty has its own culture—the culture of coming to terms with it, i.e., accommodation to poverty. In his earlier publication, *The Nature of Mass Poverty*, he states that the tendency of the poor countries is to increase income; the tendency of the poor countries is to attain equilibrium of poverty. In each case, there is accommodation. In one case to the effect of improvement and in other to the hopelessness of the prospect. He emphasises that world's great religions countenance and encourage such acquiescence. In this context, he stresses the need for general education. Such education must never be without strong commitment—both personal and public—to discipline. Good general education must precede other types of education. After good general education, the way is open for more sophisticated technical, scientific or administrative instructions. He categorically states that effective stable economic system cannot be established by any general formula and certainly not by transferring automatically what is more appropriate for the more advanced countries in their present stage of development. Historical circumstances should be taken into account in evolving development policies. The arms race encouraged by super powers snatches bread and rice from the mouths of the poor people. The poor countries should beware of this. The people of these countries are not merely prospective victims of the sophisticated war, but the privation caused by the arms race and their crippling cost render them their victims even now.

His stress on general education is nothing new. He has emphasised it in his previous works also. India has lagged behind in education. Even after 34 years of planned development, we have not been able to impart free primary education to all children below 14. The education content also has not been shaped towards inculcating a sense of discipline. The developing countries should not be pessimistic in eradicating poverty. It is a gradual process. Even in poor countries, there is always a minority which seeks escape from poverty and as the possibility of escape increases the logic and rationality of accommodation declines. The stress on education does not mean that other steps towards development, like building roads, irrigation, communications, investment in industries, etc., should not be undertaken. They have to be undertaken but preceded by education. According to him, "books can point the way; things happen when leaders join the march".

Dr. Varma's book is a narration of such march—the efforts made by India in the eradication of poverty. He is a former Secretary of the Rural Development Department (responsible for formulation and monitoring of poverty eradication programmes) in the Government of India. Besides this, he has himself implemented these programmes in the districts in earlier years of his career. As the title of the book indicates, amongst anti-poverty programmes, he has highlighted employment creation programme, its genesis, the course which this programme has traversed in the last three decades, resulting in its present form. The efforts in this direction, though with a different objective, were initiated in 1952 with the launching of the Community Development Programme. The earlier local development works programme embodied construction of roads, wells, community halls, schools, etc., in which people's participation was sought by way of contribution in labour and/or cash. This programme was abandoned in mid sixties. A Minimum Needs Programme was launched. A crash programme, with its avowed objective of providing rural employment, was launched in 1970. But this was *ad hoc* in nature. In 1970, the 100 per cent grain based works programme, "Food for Work", was initiated to offload grain surpluses, to utilise them in generating employment and to build rural infrastructure. These stocks were considerably depleted in 1979 drought and in 1980 the government launched a modified version of this programme called National Rural Employment Programme where payment is partly made in kind. The general growth programmes by their 'trickling down' effect had failed to reduce significantly the poverty situation. More than 50 per cent of rural population was still below the poverty line (Sixth Five Year Plan, 1980-85) and direct assault on poverty was felt necessary. In addition to unemployment eradication, integrated rural development programme was also launched to provide loans to the rural poor, for building income-bearing assets.

The author analyses the causes of rural poverty and mentions that the terms of trade between urban and rural areas are consistently adverse to the

rural people, in general, and poverty groups, in particular, is not absolutely incorrect. This, however, is true of 1970-80 period. In fact, in 1977 the terms of reference of the Agricultural Prices Commission were amplified to enable this aspect also to be examined while recommending price policies for agricultural products. The author has rightly emphasised that the rural and urban poverty are interrelated. "The bulk of urban poor are none other than the rural poor who migrate to urban centres for livelihood and employment."

The problem of rural employment has not attracted that much attention in the press as the problem of educated unemployment. However, the dimensions of the problem can be gauged from the fact that the Sixth Plan opened with a backlog of unemployment of nearly 20 millions out of which 16 millions are in the rural sector. The economic development of the last 30 years shows that the share of agriculture in the work force has remained static at 72 per cent of the total work force. Much relief in the unemployment situation cannot thus be expected by industrialisation. "The right to work" enshrined in the Indian Constitution, would be on paper only but for a massive rural employment programme. If there has to be no poverty amongst plentiful food, then purchasing power has to be pumped in the rural areas in a gainful manner. Hence, in the NREP, the strengthening of the rural infrastructure has been laid down as one of its objectives. One of the gains of this programme has been to strengthen the bargaining power of the labourers. The author examines the various arguments against the programme and also the merits of making entire payment in cash or kind or both. He favours part payment in kind; the entire payment in cash is likely to result in its misuse.

The author also examines the case for and against utilising international food aid for such works programmes and he refutes the thesis that such programmes are likely to act as disincentive towards increased agricultural production. He has also rightly drawn our attention to the drawbacks revealed in the evaluations made by the Planning Commission.

The problem is how to put these programmes on a sustained base in rural areas. As the works are completed near the homes of the labourers, these people will have to travel longer distances for earning their livelihood. This shift of population is likely to generate eco-socio-cultural stress and strain.

Galbraith's style of writing, as usual is lucid. Dr. Varma's style is much different from the usual dull style of bureaucrats. Amongst a mass of useful statistical information, he has been successful in sustaining the reader's interest throughout the book.

—R.S. KHANNA

Delivery System in Support of Small Farmers in the Context of Rural Development: India (Tamil Nadu)

T.N. CHATURVEDI, M.L. SUDAN AND M. LAKSHMISWARAMMA, Comilla (Bangladesh), Centre on Integrated Rural Development for Asia and the Pacific (CIRDAP), 1982, pp. 206 (mimeo).

This study was sponsored jointly by CIRDAP, Comilla and FAO as a part of seven country research project titled "Assistance to Countries in Improving Delivery Systems in Support of Small Farmers in the Context of Rural Development" and was conducted by the Indian Institute of Public Administration, New Delhi.

The study mainly deals with the design and functioning of Delivery System for institutional credit, agricultural inputs and agricultural extension services as also with the arrangements for marketing of agricultural produce in the State of Tamil Nadu. The study endeavours to explain the existing situation, policy and intentions and administrative arrangements in respect of Delivery System with particular reference to small and marginal farmers within the context of SFDA/IRD Programmes. It also brings out the changes introduced in recent years and major problems requiring attention for further improving the coordinated delivery of inputs and services. The study contains 14 chapters in all; summary and conclusions are given in the last chapter.

According to the Study Report, there are no separate agencies in Tamil Nadu for providing credit, farm inputs and extension services exclusively to small and marginal farmers and the arrangements for these supplies and services for all categories of farmers are the same. Credit is supplied through cooperatives and commercial banks; farm inputs through cooperatives, agriculture department and private dealers; and extension services through the Block Agency. The same Delivery System has been used to help the small and marginal farmers under the earlier SFDA Programme and now under the IRD Programmes.

The position regarding supply of farm inputs to the farmers, including small and marginal farmers, was found to be satisfactory. However, in the case of fertilizers, due to shortcomings in the demand forecasting by the Primary Agricultural Service Cooperative Societies, who are the main retailers, there are occasions when some particular brands of fertilizers required by the farmers in an area may not be available with the Primary Societies.

As regards agricultural extension, the Study Report has come to the conclusion that small and marginal farmers have not been getting adequate attention. But under the new T & V System of Agricultural Extension in Tamil Nadu, it was specifically intended to involve small and marginal farmers directly in the programme of agricultural extension. The authors, however, feel that though it was a welcome development yet there was still a

need to take more effective steps to provide adequate agricultural extension support to small and marginal farmers. In this context, the authors have suggested that it should be made obligatory on the part of agricultural extension agency to contact a given number/proportion of small and marginal farmers for extension education by various methods. In addition to credit as at present, a specified amount of farm inputs should also be reserved for distribution among them. These arrangements, were necessary to ensure that the benefits of development reach the small and marginal farmers to a perceptible extent.

The coordination of credit operations in each district was the responsibility of the District Level Consultative Committee (DLCC) of the Banks. According to the Study Report, the functioning of the DLCCs in Tamil Nadu was found to be a routine affair. There was no integration of District Credit Plans with the District Development Plans as the information about the totality of development programmes/schemes in the districts was not readily available. For providing purposeful credit support to the rural poor, it was essential to work out properly the cost-benefit norms for various schemes. This work was still in the rudimentary stages in Tamil Nadu. The District Credit Plans were thus serving only as broad indicative plans. Consequently, the commitments made by the individual credit institutions even for the IRD Programme were not always honoured at the implementation stage. For meaningful preparation and effective implementation of the District Credit Plans, both for the IRD Programme and other schemes, the authors have suggested more active participation of the concerned development departments/agencies, credit institutions and the input supplying agencies and more effective coordination at the district level for the entire system of credit operations.

The Study Report has greatly emphasised the crucial need for improving the effectiveness of the existing organisational arrangements for coordination in order to ensure proper and purposeful planning and effective implementation of any wide ranging development programme, like the IRD Programme, involving different departments/agencies. Besides placing clear responsibility at various levels, effective coordination, particularly at the district and lower levels, also requires a clear line of formal authority and control over the concerned departments/agencies by the officer responsible for the coordinated planning and implementation of the same. After examining the totality of circumstances and the requirements of effective planning/implementation of IRD Programme/Delivery System, the authors have suggested that the least that can be done to improve the existing system was to invest the Project Officers of the District Rural Development Agencies (DRDAs) with formal authority to coordinate at the district level and to exercise direct control over the Block Agencies and to raise the status of Project Officers of DRDAs to that of Additional Collector (Development). Besides the IRD Programme, they should also be given the responsibility for

all other economic development programmes in the district.

The authors have also referred to the phenomenon of rising "departmentalism" which is inconsistent with the requirements of integrated planning and coordinated implementation of Rural Development Programmes. In view of the complexities of issues involved, they have recommended a fresh look at the role definitions of DRDAs, development departments/agencies and the Block Agencies and the system of horizontal and vertical linkages at various levels. These need to be examined separately for bringing about other long-term changes in the administrative arrangements to achieve integrated rural development and improve delivery system.

The Study Report thus deals with the vital issues of improving delivery system for small and marginal farmers within the context of important rural development programmes in operation in the country. It also deals with another very important issue of organisational arrangements and coordination for effective planning and implementation of rural development programmes. The importance of issues discussed in the Study Report can hardly be over emphasised in view of the great urgency for alleviation of poverty in the country through improving the effectiveness of poverty alleviation programmes and delivery system for the same.

The analysis contained in the Study Report provides deep insights into the working of the existing system and its limitations to achieve the objectives. The suggestions given by the authors to improve the system are pragmatic and workable. Though the Study deals with the system in Tamil Nadu State, yet the suggestions contained in the Study Report are of wider relevance and applicability to all States and Union Territories and deserve serious consideration both by the Central and State Governments. The Study Report is a very valuable addition to the literature on rural development and is also highly readable. It should be of great use to the administrators and scholars engaged and interested in the challenging field of rural development and poverty alleviation programmes.

—B.C. MATHUR

Cooperative Management and Administration

B.B. GOEL, New Delhi, Deep & Deep, 1984, pp. 343, Rs. 90.00.

Cooperative movement and institutions originated in this country in the beginning of the present century. The inspiration for starting cooperative credit societies, to begin with, came from experiences of some European countries, *e.g.*, Germany and France. Keeping in view the conditions of the rural people and their agricultural operations, it was thought that setting up of cooperatives could be a very powerful instrument for bringing about the much needed socio-economic improvement. In course of time, the government adopted several measures to push the growth and diversification of

cooperatives and several noncredit categories of cooperatives began to be established largely on government initiative for various agricultural as well as nonagricultural activities. Cooperatives soon began to be considered as significant rural organisations for the benefit of the farmers as producers of goods and services, as also consumers and producers of various kinds in urban areas. Though numerically, the cooperatives have made an impressive headway, many of them are deficient qualitatively and even some mortality among the existing cooperatives has taken place due to several wellknown reasons.

One of the significant developments in the field of cooperatives has been the rise and growth of marketing cooperatives. It has been felt that both in supply of inputs and purchase of agricultural produce, the farmers, especially the small ones, get exploited at the hands of money-lenders, traders and rich farmers. Marketing cooperatives are expected to protect them and serve a useful purpose along with other organisations, such as, Marketing Boards and Public Corporations. The marketing cooperatives have formed themselves into federations in several states, including the State of Haryana. As a consequence of rapidly expanding activities of the apex federation in Haryana, known as Hafed, its management and resources have increased very considerably. Today, its 76 member-societies depend upon it for supply of inputs, marketing of agricultural produce and processing and marketing of their products. As the state is expanding and modernising its agriculture, the federation is expected to play even a larger and increasingly significant role in future. But, its organisational structure, manpower and resources, however, need a critical review in the interest of better efficiency, efficacy and integrity. In this regard, Dr. B.B. Goel's study is very timely.

After making a survey of cooperative movement and administration in developing countries and in India, he attempts a critical analysis of the performance of the apex federation. While doing so, he throws light on the role of the General Body as well as of the Board of Directors, pointing out the limitations in the policy-making process. He also discusses the role of the executive direction to show why a succession of Chief Executives have not been playing as effective role as is needed in running this large and complex organisation to show desired results.

The study deals with the problem of human resource administration in detail. Dr. Goel points out how various aspects of personnel policies and management facilitate as well as hinder motivation, skill improvement, and ethical standards. He examines the organisational structure in terms of its increasing growth in dimensions and differentiation. He feels there is need for some structural modifications and better headquarter-field relationships to improve the performance of the organisation.

He lays emphasis on project approach in the activities of the organisation and makes useful suggestions regarding formulation, implementation and evaluation of projects into which the various programmes and major

activities need to be divided. As a matter of fact, it is very relevant that expertise should be developed within the federation, as in other organisations, to develop expertise to formulate and conduct the projects with due regard to economy and efficiency.

Since financial management is a critical factor in the overall efficiency and economy of an organisation, the study has made some useful suggestions for rational utilisation of the limited financial resources in the Hafed.

The next three chapters deal with the main dimensions of performance of the organisation—marketing, processing and distribution. He suggests that ways and means be evolved for the optimum utilisation of existing resources and expansion of its activities and underlines the need for improving and strengthening relationship between the federation and other relevant organisations. According to him, a review of government policy regarding fixation of prices of agricultural commodities and agricultural inputs is very necessary so that farmers may get better remunerative prices, which is much needed to increase production of foodgrains and other agricultural produce in the context of needs of our expanding population. Delivery of fertilizers to small and marginal farmers needs still more attention, as these farmers constitute a very large number within the state. While he points to the need for modernisation of management structures and techniques, both in the substantive and financial sectors, so that efficiency in operations can be improved, at the same time he would also like the organisation to take proper care against undue bureaucratisation.

The Study, however, focuses more on management problems and less on the attitude and dealings of functionaries. He has also not given adequate attention to local political pulls and pressures which tend to distort rational functioning of the federation.

This Study is a valuable contribution to the available limited literature on apex marketing cooperative organisations. It can provide useful reading material to the students and the teachers in academic institutions and can well serve as a useful text in training institutions. But more than that, it should be of interest to the leaders and executives of the cooperatives so that they are stimulated to think of ways and means to improve organisational performance in the context of vital, ongoing process of agricultural development.

—B.S. KHANNA

Integrated Rural Development Programme in Delhi Union Territory—An Evaluation

M.L. SUDAN AND M. LAKSHMISWARAMMA, New Delhi, IIPA, 1984, pp. 158 (mimeo).

The evaluation study under review was sponsored by the Delhi Administration mainly to find out : (a) the impact of the IRD Programme in terms

of the extent of income; and return per unit of investment derived by the selected beneficiaries from various IRDP schemes; (b) the adequacy and effectiveness of administrative processes for identifying the target group members, plan formulation and implementation of various schemes; (c) the adequacy of the financial assistance provided by government, the repayment position of loans given to the beneficiaries; and (d) the effectiveness of the procedures which have been evolved to bring about coordination between the District Rural Development Agency (DRDA) and financial institutions.

The Study is important in that it is mainly based on primary data collected from 92 selected beneficiaries through interview with the help of a questionnaire covering various aspects of implementation of the IRD Programme. Besides the beneficiary interviews, relevant data and information were also obtained from official records and interviews with officials of the District Rural Development Agency (DRDA) and the Block Officials of Delhi Union Territory who are mainly responsible for planning and implementing the programme.

Two-stage sampling procedure was used for field survey. In the first stage, villages where more than ten families were assisted under the various IRDP schemes during the year 1981-82 were identified and 20 out of 43 such villages were selected at random. In the second stage, a list of assisted beneficiaries in all the selected villages was prepared schemewise and used for drawing a stratified sample of beneficiaries assisted under various IRDP schemes for individual interviews. The schemes under which the beneficiaries were selected for interview included: milch cattle, piggery, poultry, tubewell, special programme (carts), general store and auto-rickshaw (scooter).

The study contains ten chapters and the mass of data collected by the authors has been excellently presented in the tables. The first chapter traces, in brief, the various strategies followed by the government to promote rural development in the country culminating in the IRD programme. The scope and methodology of the study is in the next chapter. The third chapter gives a profile of the study area, *i.e.*, Delhi Union Territory. The fourth and fifth chapters present a broad overview of the implementation of the erstwhile SFDA and the progress of IRDP in the Union Territory of Delhi. The performance of the DRDA Delhi in terms of number of families assisted including Scheduled Caste families was found to be very creditable during 1982-83 in particular.

In the next chapter, which deals with the effectiveness of block level planning under IRDP, the authors have observed that the DRDA Delhi had substantially followed the guidelines on Block Level Planning, issued by the Government of India, except for preparation of Five Year Perspective Block Plans and linkage of Annual Action Plans with the Perspective Plans. The chapter on selection/identification of IRDP beneficiaries brings out the

extent of underreporting of income by beneficiaries at the time of identification. The extent of under-reporting and concealment of income by the selected beneficiaries was found to be very high in some cases. This is a very disturbing phenomenon and authors have done a service to the cause of the IRDP by highlighting this most undesirable tendency. They have also given useful suggestions to plug the loopholes in this regard.

The eighth chapter deals with the income derived by selected beneficiaries from various IRDP schemes and adequacy or otherwise of the financial assistance provided to the selected beneficiaries. It also shows the extent of return per unit of investment as derived by selected beneficiaries under various IRDP schemes. The average net income per month from various IRDP schemes varied from Rs. 291.91 (Milch Cattle Scheme) to Rs. 1,058.82 (Auto-Rickshaw scheme). However, the Special Programme (Carts) scheme was found to be operating very successfully. It was also most productive per unit of investment followed by General Store (Shop), Milch Cattle and Auto-Rickshaw schemes in that order. The financial assistance provided under the various schemes to the beneficiaries was, by and large, found to be adequate to purchase the needed assets. The survey also brings out that there has been greater tendency to sell away the assets under the Milch Cattle scheme. This was more so where second buffalo was provided under the scheme. The next chapter dealing with selected aspects of institutional credit brings out that the time taken by banking institutions in sanctioning loans was more than two months in one-third of cases of selected beneficiaries. The banks had also insisted on security cover/guarantee from the beneficiaries at the time of advancing the loan which was against the policy laid down. The amount of loan also was recovered/being recovered by the banks in about 16 to 24 months although these were medium-term loans. Thus, the banking institutions have not been complying with the laid down policy in these matters. The institutional arrangements for coordination between the banks and DRDA were, however, found to be adequate and working satisfactorily. In the last chapter, conclusions and suggestions for improvement have been summarised.

The authors have suggested that there was a need for undertaking a critical examination in all respects by the DRDA Delhi of the Block Planning Methodology suggested by the Government of India so as to ensure its operational crystallisation at the earliest possible. According to the authors, the guidelines from the Government of India are more often treated as 'instructions' rather than 'guidelines' by the DRDAs. Consequently, they have suggested that it will be better if the Government of India also starts insisting on critical examination of its guidelines by the DRDAs and asking for specific comments and suggestions from them about their suitability and organisational arrangements at operational level. This was crucial for generating and sustaining the required seriousness of purpose in the DRDAs for devising an effective system and processes for the proper

preparation of the District/Block Plans under the IRD Programme. The DRDA Delhi should also devise a system for and start in a systematic manner the collection, compilation and analysis of data/information relating to inventory of local resources and other suggested aspects for the preparation of Block Plans including the Five Year Perspective Plans.

The authors have also raised the basic question about the appropriateness of prescribing a uniform poverty line limit for the entire country in the context of IRD Programme and have suggested its examination afresh by the Government of India. According to them, poverty line limit under the IRD programme for a particular Five Year Plan period should be fixed with reference to the price level of the year immediately preceding that plan period. In view of the urban character of Delhi villages, the authors favour following the urban poverty line limit of Rs. 5,200 per annum for a family of five persons at 1979-80 prices during the current plan for the Union Territory of Delhi.

For ensuring greater accuracy of annual income details, as per household survey in the villages of Delhi Union Territory, the authors have suggested a vigorous system of cent per cent checking of household schedules of identified beneficiaries in the categories of Rural Artisans, Small Farmers and Small Business and 50 per cent of household schedules in the case of Non-Agricultural Labourers. For Agricultural Labourers and Marginal Farmers, they endorse continuance of the present system of checking of ten per cent of their household schedules. This checking should, however, be done either by the concerned Block Development Officers or by the Officers of DRDA Delhi and not by the lower level staff, according to the authors.

The authors have suggested that DRDA Delhi should devise a proper system for formulation of IRDP schemes, including the calculation of net return per unit of investment on various existing and potential schemes. The DRDA Delhi should encourage the selected beneficiaries to take up such schemes which were found to be more productive per unit of investment to achieve greater effectiveness in the utilisation of scarce resources. The authors have also suggested that in the case of poultry and piggery schemes, the IRDP beneficiaries should be selected with greater care and these schemes should preferably be confined to such villages where veterinary facilities were available either locally or at a short distance. Such interlinkages are obviously very important.

In the field of institutional credit, the authors have suggested taking of effective steps by the individual banks to ensure speedy implementation of the instructions of the Reserve Bank of India and other agencies particularly with regard to sanction of loans up to Rs. 5,000 without insisting on security cover or guarantee and allowing the recovery of medium-term loans as per the prescribed period of three to five years. The authors have also suggested imparting of extension education to the IRDP beneficiaries about the

detailed terms and conditions of loans received by them from the banks. This could be easily done in the Credit Camps being organised regularly by the DRDA Delhi. Further, for ensuring effective coordination and participation in the IRDP, the banks should take serious view of non-attendance of IRDP Credit Camps and coordination meetings by their representatives.

Though this evaluation study, having strong empirical base, deals specifically with the IRDP in Delhi Union Territory, yet conclusions and suggestions emanating from penetrating analysis and forthright exposition encompassing most of the important issues are of much wider relevance and significance as the IRDP is being implemented throughout the country broadly on the same pattern under the guidelines issued by the Government of India.

This excellent Study will be very useful to all the DRDAs, banking institutions and other administrators/agencies engaged directly/indirectly in the planning and implementation of the IRDP programme. It will also be very useful to scholars and others interested in and engaged in the study of this very important programme of poverty alleviation.

—S.N. SWAROOP

Rural Industrial Development

G.C. SRIVASTAVA, Allahabad, Chugh Publications, 1984, pp. 189, Rs. 110.00

After the Green and White revolutions, our country is now poised for industrial revolution, which is expected to bring about modernisation and tremendous social change. In fact, strength of a nation lies in its industrial power. Though today, India ranks 10th in world in industrialisation, having third largest number of technical personnel yet much remains to be done regarding industrialisation, especially in context of generating employment opportunities for large masses of rural poor to check their migration to choked urban areas in search of jobs causing serious imbalances in economic growth.

Therefore, over the years, various Plan Documents, Industrial Policy Resolutions (1948, 1956, 1973 and 1977) and a number of institutions and organisations (such as Small Scale Industries Development Organisation, Khadi and Village Industries Commission, All India Handicrafts Board, Ministry of Industrial Development—Appropriate Technology Cell) have been engaging their concerted attention to find ways and means for adapting such technology which not only suits local living habits, occupational pattern and social organisations, but also facilitates in tackling problem of economic stagnation, poverty and unemployment. It is in this context that Dr. G. C. Srivastava's study assumes a great significance.

The present empirical study, divided in nine chapters, pertains to five development blocks of Jaunpur District of U.P. In the first few chapters the

author describes the ecology of the region under study in terms of administrative set-up, topography, population, literacy, professions and the overall economy, and explains the research methodology used for the study. In order to testify some of his significant hypotheses—such as the area suffers from excessive and acute unemployment and under-employment, there is lack of entrepreneurship, industrialisation reduces unemployment, there is severe disguised unemployment in agricultural sector etc.—he relies on survey method as well as a number of statistical tools and techniques.

In the introductory chapter Dr. Srivastava gives a sad commentary on the country's planning process. He rightly points out that our planners have mistakenly construed that employment could be treated as a by-product of overall growth and as such have failed to devise a concrete employment policy. He feels that there is an urgent need to reverse this trend of relegating employment to secondary position. The discussion is followed by viewpoints of scholars on various facets of an employment oriented strategy of industrialisation based on national and international experiments. In the remaining part of the book, he gives his findings and suggestions based on his extensive study which, if implemented, can help in extricating the region from the morass of poverty and unemployment without putting unbearable strain on the scarce capital resources.

The study shows that majority of the persons who suffer from open employment (they went to work but do not have a job) are educated house wives (56 per cent). These women, though have no definite idea about the type of job they want to take up, yet they are interested in supplementing their household income. The author brings out an interesting finding that there is no evidence of disguised unemployment amongst the agriculturists of medium and large farms. However, a severe incidence of under-employment has been reported amongst agriculturists and agricultural labour. It has been estimated that unless a household owns more than 14 acre of agricultural land, he cannot hope to be above subsistence level solely on agricultural income. The study highlights that barely a fraction of respondents have a superficial inclination to be enterprising ones. This is confirmed from a large gap between the figures of provisional and permanent registration of small scale units.

The author observes that there is not much scope for additional employment by making optimum utilisation of idle capacity due to the nature of small units. However, employment potential can be increased by modifying the existing technology and running the units on double shift basis. In order to create additional employment of about 1700 jobs without much additional investment of capital, Dr. Srivastava puts forth a strategy of industrialisation, which would confine to 38 items of manufacture involving minimum risk to the entrepreneurs. The units to be located in small and tiny sector are ought to use cheap technology with smaller size of plants.

The author advocates that industrialisation is not merely to create em

ployment for the sake of employment; it has to meet basic personal consumption needs out of one's own income. The study, however, does not provide answer to such issues as to who would be providing timely finance, raw materials, expertise, arrange marketing of goods (unless these are locally consumed) and inculcating the people about the vast potentials of rural industrialisation. In this context, mention may be made of Rural Industrial Complex, Humbran (Ludhiana), which is fast coming up as the first of its kind in the country and is expected to be a trend setter in providing employment avenues, saving cities from over-congestion, reducing air pollution, and pushing up the economy. But it is the few outside entrepreneurs who would ultimately reap the harvest because the goods and services to be manufactured would primarily be meant for urban rather than local consumption. The author has also not discussed the role being played by Industrial Cooperatives in generating employment as well as catering the rural needs.

On the whole, the empirical study by Dr. Srivastava is very stimulating, interesting and a valuable contribution. It would be of immense benefit to the policy makers, administrators, economists, students of management and the like in understanding the problems of rural industrial development.

—B.B. GOEL

Social Welfare Manpower—A Regional Study

SHANKAR PATHAK, Delhi, Suruchi Publications, 1983, pp. 106, Rs. 60.00.

Manpower assessment is an important factor in the development planning process. The purpose of such an exercise is to project the requirement of the type of personnel required to implement programmes. One of the major obstacles in achieving the goals of development have been the faulty implementation. This is often attributed to the personnel incharge of programmes. Needless to say that appropriate training and positive attitudes are essential to effectively administer development programmes and projects. In the field of social welfare, this needs to be emphasised as very often it is assumed that good intentions are sufficient to carry out social welfare projects.

It is in this context that the book *Social Welfare Manpower* has to be viewed. To delineate the manpower requirements of social welfare is not easy. As the author says: "In the field of social welfare, the current situation is fluid. Besides, the boundary of this field, under which a variety of activities are being carried out by different government departments and voluntary agencies, are not well-defined". This indicates the problem in trying to assess the manpower requirements in the field of social welfare. The situation is further complicated by the fact that adequate data are not available with regard to future perspectives in social welfare programmes.

In spite of these difficulties, the book under review is a systematic effort to analyse the areas of social welfare programmes and the personnel required to man such activities in the fields of health, education, family planning, labour, social work education planning, research and education. The methodology involved a painstaking listing of all the organisations involved in providing social services and selecting a sample from among them. Survey research method was adopted for gathering information from selected organisations with regard to their activities, personnel and future plans and policies.

The study was conducted in Delhi and UP. The characteristics of the social welfare agency has been analysed. A profile of the personnel and executives of these organisations has been given. The chapter on "Social Welfare Manpower" examines the situation with regard to the personnel in welfare agencies. While in Delhi, there is some indication of an increase in the personnel required and professionalisation, but the situation in UP is not very encouraging.

The study in its conclusions highlights some of the issues that affect programmes of social welfare. The state dominates the field of social welfare and consequently a large number of social welfare personnel are employed in these agencies. The level of professionalisation of social welfare personnel on the whole is low though the situation is far better in Delhi as compared to UP. This is partly due to the view expressed by the executives that there is no particular need for professional training to work in these agencies. Such a situation could create tensions between the professionally trained and non-trained. This raises questions about the social welfare manpower policy.

It is not easy to define or formulate policy in this regard. The government may be able to lay down some criteria for selecting personnel for the government agencies carrying on social welfare programmes. On the other hand, there is need to encourage voluntary action. The resources of the voluntary organisations do not often permit the employment of professional personnel. This, then, is the dilemma. The study highlights the problem with empirical evidence. The questions of social welfare manpower cannot be studied *per se*. There is need to look at the totality of policies and programmes of social welfare within which it may be possible to define the manpower policy. The book is a stimulating experience both from the view point of methodology and contents.

—A.P. BARNABAS

Political Development in India

S.R. MAHESHWARI, New Delhi, Concept Publishing, 1984, pp. 149, Rs. 80.00

Prof. Maheshwari's latest book, *Political Development in India* is divided into 11 chapters, each consisting of a sharp yet concise analysis of

several factors which constantly and relentlessly influence the political scenario in India. The author begins with a review of the process of political development, highlighting the credit and debit side of the process, and lamenting about the total absence of public ethics in India. "Morality", the author asserts, "is plainly at its lowest ebb in India today, and hardly any walk of life remains unsullied by this deterioration" (p. 3.). Second chapter deals with the profile of India's politician; and here the author's disappointment with the values exhibited by politicians is fathomless. From the author's perspective, "amoralism has verily become a way of life in India of today" (p. 16). This character profile is then supplemented by a sociological study (in chapter three) of how does an elected member of parliament spend his/her time and what are his views about influence-peddling and corruption. Take for example this gem, a quote from a M.P., "Corruption is out no longer a grievance as such. But if even after bribery nothing gets done, it becomes a grievance" (p. 27). Of course, when that M.P. assumes the office of a minister, situation changes which is described in the next chapter dealing with the minister and the civil servant. A minister who is wise in using power and authority of transfer, threat of disciplinary action, and bestowing of fast rewards and privileges can accomplish his ends much easily even when he maintains the facade of "civil service neutrality and anonymity". Another gem is worth quoting here: "a general climate of normlessness prevails all around" (p. 54). This chapter, however, could have been broadened to include a fuller discussion on those two foundations of the modern civil service: ministerial responsibility and civil service neutrality; and how these conventions have become a myth, and what can be done to improve upon the situation in India.

Chapters 5 to 10 deal with political parties, coalition governments, political finance, commissions of inquiry and their values, political corruption, and centre-state relations. Among these, I found two chapters on political corruption and political finance most interesting. Indian political scientists have not yet devoted necessary and sufficient time on studying the issue of political finance, consequently, Prof. Maheshwari's foray in this aspect is refreshing and timely. The author ends his analysis of the political development by stating that a transitional period in Indian politics is coming which will be marked with strife and tension; at the same time, the author is hopeful that such a transition may not be disruptive because of the hidden strength and resilience of the nation. Perhaps the 1984 general election, which saw the greatest ever victory of any political party in India, supports the author's contention as it is answer to those who may have any doubt about the vigour and strength of the nation and its leadership.

Prof. S.R. Maheshwari is a prolific writer with a least 21 book-length studies to his credit, in addition to numerous scholarly papers and journalistic articles. Consequently, when I was given this book to review, I expected that this volume would be another important work that will, no doubt, be

a valuable contribution. I have no hesitation to say that I was not disappointed as the book engages a reader with its analytical presentation, and provocative style. The book has a reasonable index, and is footnoted with appropriate references. Although there are a number of curious typographical errors, an errata sheet is appended to help the demanding reader. The book, in general, makes a serious contribution in our understanding of the Indian political system and its dynamics; hence it is a welcome addition to the growing number of good books on political development in India.

—O.P. DWIVEDI

A Political Economy of Africa

CLAUDE AKE, Harlow (Essex), Longman, 1981, pp. 189, £ 3.95.

Karl Marx emphasised that the economy of a nation state the tone of the politics of nation. But some western scholars, based on their experience of presentday world, have tried to emphasise that whether it is a capitalist country or the communist one, the politics of the country sets the tone of its economy. In this framework the present study of political Economy of Africa may be reviewed.

The author Claude Ake attempts to shed light on the salient features of contemporary Africa, how they have come to be, and how they might change. Throughout this work, the emphasis is on how to approach the study of Africa so that a reader can better understand how things are and why. The book in its analysis is based on the logic and dynamics of events of change.

This book is not so much a study of the African economy as of the total society. In fact, the approach of this work essentially rejects the idea of specialised disciplines, such as economics in favour of a composite social science using material conditions as its focal point and proceeding dialectically.

The organisation of the work reflects its method. The exposition has been organised in such a way as to bring into clear relief the logical and historical development of the salient features of contemporary Africa.

As mentioned above, a very important feature of this book is its method of analysis which is based on dialectical materialism. As pointed out by the author himself, this method is based on certain propositions which are as follows:

- (a) that economic inequality is extremely important tending to reproduce itself endlessly in a series of other inequalities;
- (b) that the economy structure sets the general trend of political interests and political alignments;

- (c) that the economic conditions not only set the tone of politics but also define the role of coercion in society; and
- (d) that there is no scarcity and no private property, the idea of theft would not arise.

While analysing the advantage of this method, the author emphasises that it provides insight into the dynamics of the social world, the development perspective, a contemporary view of the society, and treating problems concretely rather than abstractly.

The conclusions drawn by the author, out of this study, read: the indications are that for the vast majority of African socio-economic formations there will be neither significant capitalist development nor socialist development. The present state of economic stagnation will continue, deepening class contradictions and causing governmental instability but not necessarily sparking off revolutions in the foreseeable future. In the event of such protected stagnation, the politics of anxiety will become institutionalised, increasingly the ruling class will display signs of paranoia while the subordinate classes become frustrated, demoralised and available for indevolution into extremist, though not necessarily radical movements. Since the defensive radicalism of the ruling class has almost gone as far as it can be pushed, the ruling class will tend increasingly to 'psychologise' failure which lie in the economic sphere. To conceal class contradictions and boost morale, the ruling class will increasingly appeal to loyalty, patriotism, discipline and dislike for outsiders. Enemies of society will be found all too ubiquitously and will be dealt with summarily. Fascism—that is the reality staring us in the face in most of Africa. The fascist option cannot really be called a resolution of the contradictions. It is only a stalemate which may be very protracted but nevertheless transitional. In the long run, objective conditions are more likely to move Africa towards socialism.

On the whole, it may be said that it is a quite useful book on Political Economy of Africa and researchers and the students will benefit a lot. It is a welcome addition to the literature on Africa.

—S.N. MISHRA

Extracts from Speeches by the Late Prime Minister Smt. Indira Gandhi

This issue of the journal is dedicated to the memory of the Late Prime Minister Smt. Indira Gandhi. We are giving below, classified under broad headings, a selection of extracts from speeches and statements made by her on different occasions which portray her thinking on various issues pertaining to public administration in India and its allied areas.

Values and Human Problems

To the majority of people, value is still associated with wealth. I presume that here in this Seminar we are concerned with the value of man and his integrity. Goldsmith wrote:

"Ill fares the land, to hastening ills a prey,
Where wealth accumulates and men decay."

There cannot be two sets of values. Politics is part of life. In the old Greek sense of the word, politics is the essence of life for it permeates all activities. Unfortunately present-day politicians have made it superficial, as if it were merely a profession. Values in political or professional life cannot be fragmented from those perennial values which are necessary for the unfolding of man's personality. To treat political values as separate and independent of human values is to diminish the human dimension. Politics will destroy itself unless it discovers new grounds of behaviour and action.

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Any search for values will have to find a right balance between personal freedom and social obligation. The precise proportion changes depending on the given phase in the history of each individual and each people. The multitude can be wrong and it may try to snuff out the flame. The individual can also be wrong, and in defining truth and value subjectively he may be deluding himself or disowning what he owes to others. Camus said: "To live itself is a value judgement. To breathe is to judge".

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The search for values has to be a continuous process, accompanied by a constant endeavour to lead lives approximating to those values. Value merely perceived is valueless. It must be lived.

—Address given on January 3, 1981 at a Seminar on Value Orientation in Human Problems Solving, organised by the Vivekananda Nidhi in Calcutta.

Towards a New Synthesis in Civilisation

The present crisis of civilisation is not so much the clash of cultures as what to do with violence, not only that which is stored in nuclear arsenals but the growing and pointless violence of ordinary people and their callousness. In the last few centuries, under the

impetus of the industrial revolution, governments, industry and profession have concentrated on what is called efficiency. Greater consumption but less satisfaction, which was the problem of the affluent individual throughout history has now become the problem of entire countries. Education, the purpose of which was originally to enable the individual to come to terms with life, often unsettles balance. It is education for efficiency not for harmony. The educated are unable to reconcile the 'two cultures', the humanities and sciences, and still less to assimilate them within their distinctive inner personalities. Progress has dried the springs of spontaneity.

—Address given on November 12, 1981 after receiving the degree of Doctor of Laws honoris causa from the Sorbonne University, Paris.

India's Cultural Tradition

The *Dhamma Pada*, the book of Buddha's sayings, says : 'Call him wise whose mind is calm, whose senses are controlled, who is unaffected by good and evil, who is wakeful.' The Gita gives the same message of equanimity in pleasure or pain. It also says, and this is its main theme : 'Be concerned with action but not with its fruit.' That is what I have accepted as the guide in my own life and in my own work.

The Buddha told his disciple Ananda, 'Be an island unto yourself.' The Pali word 'deep' can mean either island or light. I don't think the Buddha meant isolation from others. But as many others after him, including Jean-Paul Sartre, has said, in the ultimate analysis, one has to depend on one's self. Our own poet Kabir sang in the people's dialect that we could look for truth anywhere and everywhere but we would find it only within ourselves. The search for it may be a lonely one. Yet we cannot abandon it for the sake of company or comfort. 'Walk Alone' is one of my favourite Tagore poems in which he sings : 'When there is darkness all around, you yourself become the lamp.' Lamps beckon to others and islands are linked by the oceans.

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Our freedom movement was one of national rediscovery as well as cultural and spiritual renaissance. We chose democracy, which means tolerance within the country. And we chose non-alignment, because it means tolerance internationally.

—Address given on August 2, 1982 at the U Thant Award Ceremony, New York.

In India, although many of us think forward into the future, when we want something to say, we invariably look back into the past. There is always some word or sentence written thousands of years ago that could very well have been written today. There are some timeless parts of our history (as I am sure you have in America) and some great ideals, which we would like to keep no matter what other progress there is, what other advances mankind makes.

So it is important to have things, but just as important to know how to enjoy them, and how, through them, to share the enjoyment with others.

—Speech at Washington Banquet on November 4, 1971.

Indian Society and Democracy

The story of Indian development is not without significance for the rest of the world. How could it be otherwise when it encompasses the aspirations and struggles of over 550,000,000 human beings? Political theorists with their neatly labelled indices have

sometimes spoken of democracy in India as a futile quest. To them, democracy could only be a two-party system worked by those who were educated in a particular way. Perhaps as advanced people of the West a generation ago protested that the colonial countries were not ready for freedom, so it was said that the underdeveloped societies of Asia and Africa were not ready for democracy, and could achieve order only under dictatorship of some kind or, at most, a controlled or guided democracy. Can democracy be guided any more than freedom? Is not a guided democracy a contradiction? Perhaps these questions are irrelevant. For it now seems that in some countries the word 'democracy' was used as a shield for reaction and the subversion of freedom. But we did take democracy seriously. To us it conveyed the equality of all people to participate at every level in the development of their country and the functioning of government.

In the choice of political institutions, it is not inevitably the past that is decisive, but the changing conditions of the lives and attitudes of people and the capacity of those who are in positions of leadership to involve the largest number of people in the political process.

The British ruled over us for two hundred years. Little did those early colonisers realise that along with their flag they brought the seeds which would destroy their rule. Macaulay, who pleaded so passionately for Western education, did not quite realise that he was undermining the edifice he was so anxious to perpetuate. The nineteenth and twentieth centuries brought ancient India face to face with the imperatives of the contemporary world. And we quickly absorbed all that was relevant and significant in Bentham and Mill, in Rousseau and Voltaire down to Marx and Weber. And all this was grafted on to the Indian sub-continent. And we then had Tagore, Gandhi and Nehru to mention only a few.

Our democracy is dedicated to planned economic development, the peaceful transformation of an old social order and the uplifting of millions of people from conditions of social, economic and technological under-development. Thus, what we are attempting in India is not mere imitation of the Westminster system but a creative application of a meaningful democracy to the vastly different economic and social problems of India.

Democracy was not entirely new to us for its roots could be found also in our old panchayat system. This system probably came into being because the village and the people were too distant from the centres of political power. Today the ancient institution has been transformed into a new organ of self-government at district and what we call block level as a link between the government's programme and the people.

The concept of the rule of law and the British pattern of administration may have helped to keep order in the country but much in these institutions has remained static and without changes they are becoming stumbling blocks to progress and democracy.

There are forces in our society as in others which pull in opposite directions. The competitiveness of democracy and of contemporary living seems superficially sometimes to have strengthened the hold of caste, religion and region, for these are now exploited for social and economic gains. But this is a passing phase and these differences cannot weaken India's fundamental unity nor the basic sense of Indianness which is a powerful binding factor. Paradoxical though it may sound, we believe that the functioning of democracy itself can remove these obstacles on the democratic path.

*—Speech at Royal Institute of International Affairs,
London on October 29, 1971.*

India's Democratic Development

A country is an extended family. When income and resources are limited, one must budget to ensure that essential items are not neglected—waste has to be avoided, resources husbanded, priorities established, education and other social needs catered for, with special provision for those who are weaker or smaller. Industry has to be balanced with agricul-

ture; technology with culture; State ventures with private initiative; economic growth with social justice; the large with the small. Every section of society must be stimulated to creative activity.

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India's planning experience sums up the successes and problems of our democratic development. The magnitude and significance of democracy's operation in India are not well understood, for it is often treated as an adventitious or borrowed growth.

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We have a mixed economy. Our public sector has a developmental role. This does not connote neglect of the private sector. Both sectors are essential for greater production and employment. All our agriculture, almost all our retail trade and a great deal of industry are in the private sector. The paid-up capital of private companies is three times as large as that of public one. The share of the public sector in the gross domestic product is only 20 per cent.

—Address given on August 2, 1982 at Luncheon hosted by the Foreign Policy Association and the Asia Society in cooperation with the Far East American Council of Commerce and Industry and the Indian Chamber of Commerce of America, New York.

Party and Government in Democracy

In a democracy the relations between party and government are subtle and complex. The party sets the goals for the people and offers them a concrete programme. The people's mandate enables the party to form the government and to translate the vision into reality. The party's work does not end with the formation of government. It must keep up the momentum, lead the democratic debate and, above all, serve as a bridge of understanding between the government and the people.

—Article published in the Independence Silver Jubilee Number of Socialist India, August 1972.

Meaning of Democracy

Democracy can have many meanings. The meaning most often given to it in the West is that there should be a two-party system and that people should vote for one party or the other. In fact, we were told that because we had many parties, perhaps there was something wanting in our democracy and we should aim at a two-party system. Frankly, to us it seems very strange, because the two parties may not be able to contain all the opinions in a country at a time, though I must admit that sometimes the multiplicity of parties which we have in India is not a very great help to the public. But it is a phase of development, and I do not think it basically affects democracy.

—Address given on November 6, 1971 at Columbia University at New York.

Election and Democracy

I would like to tell a small story about democracy. In the very first elections, I visited my father's constituency. I was stopped on the road for an unscheduled meeting and I made a short speech. An old farmer got up and said, "only yesterday we had

another gentleman and he said the opposite of what you are saying. Which of you was telling the truth?" I said, "well, obviously I cannot say that I am telling the untruth, but I am also not willing to say that the other gentleman told the untruth. We are trying to bring democracy to our country and this means that everybody says what he has to say, but you, the people, must judge who is saying what is in your interest, who is going to do what is in your interest." But the farmer said, "do you belong to the Congress Party?" I said, 'yes'. "Then you have no business to let this man speak to us and tell us lies." This was in 1950-51. But even in the next elections, one did not hear such a question or such a demand. Our people have got used to the fact that different parties put different points of view. So step by step they learn. Every election is not merely the opportunity to vote, it is an opportunity to be educated in the ways of democracy and in the policies of the different parties.

Some people say that the political unity of India is a gift of the British. In reality today's political unity is primarily the result of our movement for freedom from the British and equally the result of our subsequent success in holding together and consolidating that unity through the full functioning of democracy.

—Speech at Austrian Society for Foreign Policy and International Relations, Vienna, on October 28, 1971.

Political Will

We have often heard of the expression "lack of political will in a soft State". But what has happened in the so-called hard States? Would anyone seriously argue for a mechanical imitation of patterns of thought and action which, whatever their historical justification, are not in tune with the social and cultural ethos of our country? Also, if we look at the record, our achievements have not taken place in a political vacuum. They are the result of political will exercised under circumstances and social organisation. The question is how to strengthen those political forces which are working for a secular, modern, rational society. This cannot be done through cynical fault-finding. Artificial boundaries have been drawn.

—Address given on November 16, 1983 at the Silver Jubilee Celebrations of the Institute of Economic Growth, New Delhi.

Dynamics of Social Justice

Constitutional pronouncements do not necessarily mean that the battle is won. Americans know that despite the noble proclamation that all men are equal, it took nearly two centuries to make White people take cognisance of the demand of the Blacks to equal rights.

Today our task in India is to achieve the objectives adumbrated in our Constitution. While legal instruments are important in fostering social justice, they cannot by themselves bring about social reformation. We need a climate of proper interaction among the people and government to nurture and promote our declared social goals.

The greatest enemies of such progress are those who foment communal disharmony and carry on violent agitations and separatist and sectarian movements. Government is fighting such divisive forces with determination. But official efforts need the support of citizens and professional leaders. The legal community, in particular, has a responsibility to defend democratic institutions and to create public opinion against anti-social elements.

...I should like to add that the common man's faith in democracy in our country depends in large measure upon the manner and speed with which we can solve his economic problems. To him the Constitution should be a charter for change rather than a bulwark

of the *status quo*.

*—Address given on October 31, 1980 at a Seminar on
Dynamics of Social Justice in New Delhi.*

Majority and Minority Communities

We have a tendency to speak of majority and minority communities. I think this is rather misleading and irrelevant with reference to India as a whole. 'Majority' and 'minority' are relative terms. The Jews of Kerala are a minority in one sense. But as Malayalam-speaking people they are numerically larger than many other groups in the country. At the other end of the scale, the so-called Hindu majority is fragmented into linguistic, caste and regional groups like everybody else. There are perhaps only two real majorities in India—the poor and the young. But these also are not simple majorities. They are large and complex social categories consisting of many layers.

*—Address at four hundredth anniversary celebrations of the
Cochin Synagogue, December 15, 1968.*

Improving Conditions of Weaker Sections

Peace we want because there is another war to fight—the war against poverty, disease and ignorance. We have promises to keep with our people—of work, food, clothing and shelter, health and education. The weaker and under-privileged sections of our people—all those who require special measures of social security—have always been, and will remain, uppermost in my mind.

*—First broadcast as Prime Minister, All India Radio,
New Delhi, January 26, 1966.*

Against Discrimination SC/ST and the Poor

It is not enough to fight communalism. Assumptions of superiority based upon caste or privilege and the traditional attitude of looking down upon women and members of the Scheduled Castes and Tribes or for that matter anybody who is or looks poor have also to be fought. It is our duty to create a social milieu in which the young and the socially weak feel that the present and the future belong to them. The government has urgently to create greater employment, implement land reforms and relieve the pressure on the harried middle classes.

*—Article published in the Independence Silver Jubilee Number
of Socialist India, August 1972.*

Fair Deal for Backward Classes

We are committed to a secular and socialist society. We are committed to planned development for the betterment of economic conditions and the quality of life for the India citizen. These objectives can have meaning only if those who are most backward amongst us, educationally or socially, are helped to come forward and share the benefits of economic development.

*—Address given on December 12, 1980 at the valedictory function
of the Backward Classes Commission, New Delhi.*

Economic Progress and Democratic Process

Our progress has sharpened our people's impatience. It is not true to say that the poor are poorer, because even the poor have advanced a bit. But it is true that they see their poverty with much sharper eyes. It is true that they are not prepared to wait any longer. We have taken the path of socialism because we feel there cannot be real democracy if there is a very great economic inequality. Even though the Constitution gives equal rights, if a very large part of the population is not able to benefit from what the Constitution gives them, then democracy cannot be complete. So if India cannot maintain its stability, I think it does threaten Asia and it does threaten world peace as well. Governmental and parliamentary leaders from many countries have shown understanding of the issues involved but many others are acting, may I say, with somewhat lack of insight.

—*Speech at Austrian Society for Foreign Policy and International Relations at Vienna, October 28, 1971.*

Environment

We must also do something about mental attitudes which are inculcated from early childhood by language. The vices of humans are attributed to one or other bird or animal. The instances are far too many to list—sly as a fox, vain as a peacock, even the dog, such a friendly and loyal creature, has been given a bad name. This is a challenge to members of this society and all those who are interested in conservation.

—*Address given on September 15, 1983 at the centenary celebrations of the Bombay Natural History Society, Bombay.*

Human Environment

The inherent conflict is not between conservation and development, but between environment and the reckless exploitation of man and earth in the name of efficiency. Historians tell us that the modern age began with the will to freedom of the individual. And the individual came to believe that he had rights with no corresponding obligations. The man who got ahead was the one who commanded admiration. No questions were asked as to the methods employed or the price which others had to pay. The industrial civilisation has promoted the concept of the efficient man, he whose entire energies are concentrated on producing more in a given unit of time and from a given unit of manpower. Groups or individuals who are less competitive and, according to this test, less efficient, are regarded as lesser breeds—for example, the older civilizations, the Black and Brown peoples, women and certain professions. Obsolescence is built into production, and efficiency is based on the creation of goods which are not really needed and which cannot be disposed of when discarded. What price such efficiency now, and is not reckless a more appropriate term for such behaviour?

—*Address given on June 14, 1972 to the plenary session of the United Nations Conference on Human Environment at Stockholm, Sweden.*

Pollution is not a technical problem. The fault lies not in science and technology as such but in the sense of values of the contemporary world which ignores the rights of others and is oblivious of the longer perspective.

—*Address given on June 14, 1972 to the plenary session of the United Nations Conference on Human Environment at Stockholm, Sweden.*

Importance of Forests in National Welfare

Specialisation is inescapable in our age of advanced technology but how can it yield the desired results unless it fits into the overall social situation in our country? Our forests can survive only if forestry is attuned to the goals of national development, and long-term ecological welfare as well as that of the communities which live nearby.

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Forests are traditional sources of food, of herbs, of fuel and other essentials of many unsophisticated people who have lived for generations in and off the forests. These people are now bewildered and disturbed by the shrinking of the forest area, the depletion of produce, and numerous restrictions imposed by officials. The education of the forester and his colleagues in forest sciences should cover the sociology and economics of such communities. Forestry practices should make the lives of forest dwellers, whether humans or other species, happier, not worse. These people should not be driven away from forests. Rather we should be able to take their help to preserve and work forests scientifically.

—Address given on December 19, 1981 on the Centenary Celebrations of Forest Education in India held at Forest Research Institute Dehradun.

Conserve Energy for a Better Future

Science cannot be only for the haves. The have-nots need it more. India looks to science as a way out of economic backwardness. We shall not deny ourselves anything that will help us in this objective. I hope you are all aware that our nuclear programme is prompted not by military objectives but by developmental necessity. It is dedicated to agriculture, medicine and meeting our energy needs. We are opposed to nuclear weapons and do not have any.

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All known strategies of development and of raising the living standards of the poor are energy-intensive. So long as they are dependent on centralised energy systems, people's needs are not likely to be met in full measure. Decentralised systems are necessary to promote regional self-reliance and help further utilisation of materials such as the animal and plant wastes which are available in villages. Such processes could be managed and maintained even by those who do not have much education. I cannot understand why rural problems do not interest scientists and technologists. What can be more satisfying and exciting than ameliorating the conditions of millions? This is one of my constant refrains. We want technology which will reduce drudgery and improve output without displacing the labour technology that will use locally available materials. So far the entire approach in technology has been based on cheap and abundant energy. There should be rethinking on all processes in chemical, metallurgical and similar energy consuming industries. Whole new areas of technologies are to be developed. The long range energy problem is far more acute than we think. The world's complacency is totally unjustified.

—Address given on September 18, 1983 at the Twelfth World Energy Conference, New Delhi.

Science and Environment

The success or failure of any technological innovation depends on economic considerations. The main reason for the gap between knowledge gathered in our laboratories and their application by industry is inadequate interaction between technologists and econo-

mists. I want closer collaboration between scientists and social scientists. Social scientists should be inducted into our major applied research laboratories, so that the socio-economic aspects of technology transfer are attended to concurrently. If laboratories and universities assess the applied value of their work on considerations of ecology, economics, employment generation and energy conservation, they will be more significant in promoting development with conservation.

—Address given on January 3, 1981 to the 68th annual session of the Indian Science Congress at Varanasi.

Science for Social Change

Decision-making regarding science and technology involves a multitude of problems, which are also relevant to other developing countries. Even allowing for our size, the scale of our educational base at the time of Independence and our millennia-old intellectual tradition, which is a key element of our total civilisation, our experience is not an entirely singular one. In varying degrees, other developing countries have also designed their policy instruments, institutional mechanisms, and actual operational capabilities in research and development and design engineering to generate technology internally and to use it in agriculture and industry.

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Technology is not value-neutral and the transfer of technology, especially in the form of aid, has been accompanied by economic conditions and political advice which was not necessarily to the advantage of receiving nations. Highly industrialised countries are not mere 'science and technology supermarkets' to use Blackett's well-known phrase, where technology is bought and sold. The process is more complex. What is bought has to be absorbed. This presupposes a certain infrastructure. The buyer must also have some technological knowledge and discrimination so as not to be taken in by salesmanship or become a dumping ground for obsolescent and expensive equipment. Without internal strength, governments cannot withstand the pressures of transnational corporations and other forces. Nor can we ignore the tendency of some affluent nations to use aid and the transfer of technology as instruments of foreign policy. A certain amount of indigenous technological development is essential to resist such pressures.

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Self-reliance does not mean isolation from others or from foreign ideas. It involves acquiring known knowledge and adapting what has been done elsewhere. That is how technological muscle is acquired. The capacity to produce substitutes which may not be the best today will in time help to find adequate answers to our needs. Self-reliance means the assertion of our right to formulate our policies, programmes or institutional mechanisms. We have to make our own choices, taking account of world developments in science, and drawing upon international cooperation, but without being swayed by fashions within science, or the science and technology foreign policies followed by advanced countries.

—Address given on March 26, 1982 at the Science Policy Foundation, London.

Science and Government

In this city of confluence and at a forum like this, what would be more appropriate than to speak about the confluence between science and government? Each in its own sepa-

rate way is a repository of power and an instrument of change. Whatever ideology or system of government any contemporary society follows, it has to give the most careful attention to what Einstein called the 'sensible use of science'. This is one of the major problems of modern government. Carlyle said that if history had long been the root of science, in the future, science would be the root of history. This has been borne out in the last century.

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Research today requires vast quantities of sophisticated equipment. The days when Rutherford's laboratory could make do with an annual grant of £2,500, or C.V. Raman could discover the secrets of light with a few gems and crystals, are gone, never to return. The capital-intensivity of sophisticated science brings government into the administration of science in a big way. In the words of Sir Solly Zuckerman, "Science has now become so great a force in society that it has to be planned. This is on account of its size and cost and the need to manage it efficiently and wisely." In all societies, scientists are invading government in large numbers. Sir Winston Churchill believed that scientists should be not on top but on tap. But more and more official agencies and institutions involving science and technology are being placed under scientists. And this is as it should be and this is our policy too.

But scientists are also human and it is sad but true that often enough they contract the bureaucratic bacillus of rank consciousness or develop intolerance of alternative approaches. This is not the spirit of science. Science needs constant interchanges, allowing scientists to express themselves more freely and frequently on the objectives and priorities of scientific work and national development. Problems of the field must continuously be fed back to laboratories. My father constantly spoke of the scientific temper. Scientists should educate other citizens in the implications of science and technology, and collectively, through organisations like this Academy, engage in a constructive dialogue with government. Instead of scientists seeking directives from government, we expect ideas to flow from them and from academics to government.

—Address given on October 23, 1980 at the golden jubilee celebrations of the National Academy of Sciences, Allahabad.

The Scientific Path to Progress

Scientists must be concerned with science and with the work of scientists, but they are also citizens—citizens of our country and citizens of the world; and, therefore, they have to look at problems not only as scientists but as individuals, what they want the country to be and how science can help in this. I am not in any way denigrating science. You know I have a deep faith and belief in fundamental science. I do not think we should give it up. Many aspects of applied science have risen out of fundamental and basic science. But we must all the time see how it can be used to improve life. That is what I mean by the scientific attitude: how best to use what is available, how best to delve deeper into knowledge to know ourselves, to know the world around us, and how to adapt. We cannot carry on research in absolutely everything. How do we adapt what has been discovered to our conditions and to help us to become self-reliant, economically as well as people and as individuals.

—Address given on July 3, 1982 to Directors of CSIR Laboratories, New Delhi.

Scientific Thinking

Real scientific thinking is to be on the look-out for new ideas, new methods, new inventions, all the time, in every direction, even using the old if it is useful. Of course, if it isn't useful then you reject it. But where the people are hanging on to something, unless you can give it a turn, you will not be able to give it up. No broom is going to sweep all of it away.

—Address given on July 3, 1982 to Directors of CSIR Laboratories, New Delhi.

Education and National Development

The Meaning of Education

How is life enhanced? A beautiful passage from Gurudev Tagore comes to mind. At the end of his essay to Teachers he says: 'There will be a sunrise of truth and love through people who have suffered martyrdom for humanity, like the great personality who had only a handful of disciples from among the fisherfolk and who at the end of his career seemingly presented a picture of failure when Rome was at the zenith of her glory. He was reviled by those in power, ignored of the crowd and he was crucified, yet through that he lives forever.'

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I should like to add something else, as one who has been able to solve some problems. I am deeply aware that every solution creates a new problem. There is just no end to problems, but if we keep ourselves alive, if we keep that impassioned spirit that Swami Vivekananda and so many of our great people symbolised, if we are not discouraged, no matter what the difficulty is, we shall prevail.

—Address given on September 27, 1980 at the 150th Anniversary Celebrations of the Scottish Church College, Calcutta.

Role of Teachers in Nation Building

Our policies are not to be seen in separate compartments but as one whole. The aim, as I have said many times, is to make our country stronger—not in any military strength, not in any way to bully anybody else, but to be able to help our own people to develop the capacities which are inherent in them. Swami Vivekananda, who was one of the greatest educationists we have had, has said that education is not to *know* but to *be*. What we are taught should not just be an accumulation of knowledge or information; it should make us into better, superior, human beings. The same thought was further developed by Sri Aurobindo when he said that mankind can be a much better race than it is if only it will rise above the immediate and look into its potential power.

—Address given on August 21, 1981 at the Convention of Indian Teachers, Congress at Vigyan Bhavan, New Delhi.

Role of Education in Development

Education and development are intimately connected. In the first decade of this century Sweden, which now has a remarkably high per capita income, was among the poorest in Europe. Japan only a century ago so backward, is today among the foremost in industry. Sweden at least has mineral endowments; Japan hardly any. Its phenomenal progress and

national prosperity are the outcome of the skill of its people. Whether you take Japan or Sweden or a large number of other advanced nations, human resource development through education led to the development of indigenous natural resources or the setting up of industries based on imported raw materials. The spread of knowledge was thus the first step in creating wealth and sharing it.

—Address given on September 26, 1981 on the occasion of the conferment on her of the degree of Doctor of the University of South Pacific, honoris causa, at Suva, Fiji.

Education and National Development

Education is not an easy way towards employment but a training to make better men and women. As Swami Vivekananda said, it is not so much what one knows but what one becomes. To improve education we must tackle it at its very root, that is teachers' training, which must include simple items such as elementary hygiene, sanitation, care for the environment and for other living creatures, going on to the inculcation of higher values and ideas which develop mental and moral calibre. Are our methods of teaching keeping pace with the changing world? This does not necessarily mean expensive equipment, sometimes equipment helps but what is more relevant is the attitude of the teacher. Does the teacher evoke the respect of the students? Without that, teaching cannot be very deep.

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Contemporary education has neglected moral and spiritual values which are common to all religions. I feel strongly that our education must aim at excellence. I am alarmed to see the shoddiness of some of our textbooks, in their appearance as well as the substance. Foundations cannot be firm without stress on quality and the maximum use of whatever material and talents are at hand, combined with the maximum saving also of time, of energy, of words as well as of things.

—Address given on June 2, 1981 at the Conference of State Ministers of Education, New Delhi.

Quality and Equality: Challenge to Higher Education

Our educational system, especially higher education, faces many challenges. We look to our colleges and universities to provide the scientific and engineering skills needed to transform our economy and also the body of knowledge which makes us discerning and capable citizens. It has been said that the aim of education is to make each person fit company for himself and at the same time to enable him to come out of his shell into one humanity. Learning is a never-ending process and the sources of knowledge are countless. An old sage said, 'I have learnt much from my teachers, and from my colleagues more than from my teachers, and from my students more than from all!' I would extend this to all the ordinary people one meets and to nature itself.

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A scintillating top stratum needs to be upheld by a high average. Hence the necessity of improving the general level of performance. Much is made of 'leadership', but not enough said about the responsibilities of others. In fact, successful nations are those where the people do not have to be 'led' but lead themselves. In exceptional times, leadership has a special place but we must learn to emphasise collective achievement, collective heroism and the collective will to work. One of the functions of education is to produce this kind of mature, well adjusted and responsible citizen who thinks not only of his

opportunities but of his obligations.

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Intellectuals deal with ideas, some that are timeless and universal, and others that are of the moment. The centre of our concern should be our people. We must help them to derive energy from their roots, yet grow with new ideas.

—Address given on February 1, 1981 at the Centenary Celebrations of St. Stephen's College, in Delhi.

Doctor and Nation Building

I certainly do not advocate nor would countenance any lowering of standards of medical education. But I do feel that there is scope for dispassionate rethinking on the subject. We must have high standards, at the same time we have very many different conditions and situations in different parts of the country and these must be kept in mind in the implementation of schemes, so that the schemes give the desired results. We try too often to fit in the people to the schemes rather than the schemes to the people. That is perhaps why we fail in delivering the goods.

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I do not suggest that town doctors have an easy time. Doctors in our public hospitals and private clinics in metropolitan cities and State capitals are among the most hard-worked and harassed persons I know of. But the only way of lightening their burden is to ensure good doctors in district and taluka centres. The dispersal of talent rather than concentration is an answer.

—Address given on March 4, 1982 at B.C. Roy Centenary Celebrations and Conference on Medical Education and Health Care, New Delhi.

Nationalisation

I have repeatedly stated that nationalisation is not a universal cure. On the contrary, it is a weapon which must be used with care and discrimination. In our present situation, the most compelling and urgent task is to accelerate economic development, to resolve the problems of unemployment and inequalities. Since our resources are limited, it is naturally more fruitful to invest them in creating new production facilities, in preference to merely taking over existing units or industries. However, if any privately owned industry is found to be operating against the national interest or is impeding special progress, we will not hesitate to take it over. Any proposal for nationalisation should be subjected to these two tests.

—Interview to Heinz Moeller of "German International" on April 14, 1970.

Any proposal for the nationalisation of an industry or activity must be subjected to two tests.

Firstly, is it necessary from the point of view of enabling the Public Sector to attain a dominant role and to occupy a key position in the economy? And secondly, does it further our social objectives? The nationalisation of banks satisfied both these tests.

Similarly, when we find any industry or unit operating in a manner which is detrimental to our national interests, we shall certainly not hesitate to take it over. But we should not

be deflected from our priorities.

*—Speech in the Lok Sabha on the Motion of Thanks
on President's Address on April 2, 1971.*

Nationalisation of Insurance and Banks

An institution, such as the banking system, which touches—and should touch—the lives of millions, has necessarily to be inspired by a larger social purpose and has to subserve national priorities and objectives. That is why there has been widespread demand that major banks should be not only socially controlled but publicly owned. It is not an accident that this has been the practice even in some countries, which do not adhere to socialism. That is also why we nationalised, more than a decade ago, the Life Insurance business and the State Bank—the Imperial Bank as it was then called. That is also why we have set up, directly under the aegis of the State, a number of financial institutions to provide medium or long-term credit to agriculture and industry. The step we have now taken is a continuation of the process which has long been under way. It is my earnest hope that it will mark a new and more vigorous phase in the implementation of our avowed plans and policies.

*—A broadcast over the All India Radio on
July 19, 1969.*

Freeing the World From Distrust and Disparities

The present world economic order is based on domination and inequality. The basic aim of the programmes of action drawn up in New Delhi was to strengthen the economies of weak nations. We outlined a mechanism to pool our own technological resources, a South-South dialogue as a supplement to the North-South one. We also indicated some immediate measures the most important of which was the convening of a Conference of Money and Finance for Development. To help developing countries is not mere largesse. It will directly benefit the industrialised because development in Asia, Africa and Latin America, and the enlargement of their incomes by removing obstacles to their export, will absorb industrial goods and machinery from advanced countries, stimulate economic activity, and ease their unemployment problem. What better investment can the North make in its own future than by turning today's deprived of the South into tomorrow's consumers?

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In India we work for self-reliance in action and self-respect in thought, which Bertrand Russell called "the better half of pride". But this pride is for human achievement and human potential. Its justification would be our ability to discern the future beyond the gloom of the present.

The safety of the weak is the strength of the strong. That is why the weakest and the poorest among us, within each society and in the international community, must be shielded from the inclemencies of the international climate. Continued disparities also aggravate political tensions and lead to instability. The strong, with the help of the rest of the international community, can think of measures to contain the enormous destructive potential which gives them illusions of strength but whose very power is troublesome. It is a welcome sign that the two most powerful nations are engaged in negotiations on vital strategic matters and have not allowed even serious incidents to deflect them. The myriad other problems concerning the environment, the optimum utilization of the resources of our planet and the reorganization of political and economic systems at the global and State level

need our cooperative endeavour.

—Address given on September 28, 1983 at the Thirty Eighth Session of the United Nations General Assembly, New York.

Development and International Cooperation

Responsibility for development must primarily be shouldered by the developing nations themselves. Political domination over the process of development by nations which wield economic power is inconsistent with the provisions of the Charter to which we all subscribe. What we need is a global strategy of development, an integrated programme of international cooperation, which outlines convergent measures to be undertaken by every member State. The elimination of poverty and the development of impoverished regions are now widely accepted as international obligations. In order to discharge them, it is imperative that the international community finds ways and means to intervene effectively in defining the responsibility of economic power, in matching resources to needs, and in guiding economic forces towards progress and peace.

—Address given on February 1, 1968 to the Second United Nations Conference on Trade and Development, New Delhi.

Cooperation Among Developing Countries

There is a growing awareness of the oneness of humankind but it is not reflected fully in the policies of most national governments. To save a hundred jobs in an advanced country, a decision may be taken which sentences a thousand families to hunger in a far-off land. Immediate temporary profit to a handful in one part of the globe might mean misery to millions elsewhere. We are ready to recognise the worldwide impact of oil prices or of inflation, but not it seems, of hunger. We know that should a nuclear warhead sneeze, billions will suffer. Yet we ignore the dangers to mankind as a whole of the widening disparities among nations.

—Address given on February 22, 1982 while presenting the Third World Prize to President Julius Nyerere, New Delhi.

Cooperation Among Developing Countries for Collective Self-Reliance and Third World

Given the will for cooperation, there is no dearth of opportunities for organising and broadening interdependence on the basis of mutual interests and benefits. Progress in the developing countries will help to rejuvenate the stagnating economies of industrialised countries. In turn, improvement in the economies of the industrialised world offers better prospects for our own development. Interdependence is the rationale of the dialogue and cooperation between North and South.

—Address given on February 22, 1982 at inaugurating the New Delhi Consultations among developing countries, New Delhi.

Foreign Policy of Self-Reliant Nation

Non-alignment is a policy but not an objective by itself. The objective is freedom of judgment and of action so as to safeguard the nation's true strength and basic interests. Temporary additions to strength can sometimes compromise long-term security. Had we built our defence forces at the behest of others or through gifts of armaments, the centre of

decision and policy making would have moved out of our hands. There are instances when recipients of armaments do not confine themselves to serving the interests of the donors but use them for their own purposes. We ourselves have been victim of such diversion.

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In the early years, we had neither the resources nor the desire to get entangled in the rivalries and conflicts of the blocs and their war preparations. The gigantic proportions of our problems needed our total attention. Only in conditions of peace could we concentrate on development. This consideration remains valid today. Whatever the difficulties of self-reliance, and we should not under-estimate them, still less can we afford dependence on others, either for development or defence. A small country could, and some did, achieve growth through large scale aid. India is far too vast and its problems too massive to be bailed out by any other country. For us, self-reliant development is not merely desirable, it is the only possible way.

—Address given on October 30, 1981 at the Silver Jubilee Celebrations of the School of International Studies of the Jawaharlal Nehru University, New Delhi.

Cooperation for Global Progress

Development cannot be imported. Nor can it conform to a given pattern. It has to come through our own determined efforts, tailored to our peculiar conditions and ethos. We, the developing countries, are working for economic cooperation amongst ourselves and for collective self-reliance. But we cannot avoid being affected adversely by outside events. This calls for international understanding and structural adjustments in the world economy itself. That is why we are meeting for a dialogue on major issues of international cooperation for development.

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The complex problems of developed as well as developing countries can be solved better by cooperation than confrontation. We all stand to benefit from the prosperity of our trading partners. Stagnation in industrialised economies lowers the export earnings of developing countries. A rise in income levels of developing countries generates growth in developed countries, increasing their exports and creating employment.

—Address given on October 22, 1981 at the Conference on International Cooperation for Development, Cancun, Mexico.

Continuing Relevance of Non-Alignment

On the historic and magic day when India's independence was proclaimed, my father declared that India looked at the world with clear and friendly eyes and would cooperate with all nations and peoples of the world in furthering peace, freedom and democracy. Since then we have worked consistently to democratise international relations, we have supported liberation struggles, we have fought against all foreign domination and racism, have pleaded the cause of co-existence and the peaceful resolution of conflicts. Peace is not that which teeters on the brink. That is the absence of war, yet it threatens war. Nor can peace be based on outmoded concepts of imperialism, military alliances, spheres of influence or balance of power and competition in nuclear and conventional terror.

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If protectionism—the classic weapon of the strong against the weak—is used against

us, should we not expand trade amongst ourselves? If advanced technology and aid (and even food) are used as instruments of pressures, should we not devise and adopt comprehensive measures for mutually beneficial, financial, technological and agricultural cooperation among our countries? Today our capabilities are diverse enough to permit meaningful transfer of technology, skill and financial resources among ourselves.

—Address given on February 9, 1981 at the Non-Aligned Foreign Ministers' Conference, New Delhi.

Non-Alignment and Peace

Of great concern to all of us are the wide inequalities and disequilibriums in the economic and social structures of world, the glaring imbalances between demographic pressures and access to material and technological resources. What should be invested in a construction is being channelled into destruction. There is a global waste of talent and resources.

The solutions of today's critical international economic problems need the total involvement of all nations. Global well-being will be illusory unless the aspirations of developing countries are reflected in the management of the international economy and in the decisions of international negotiations. No less urgent is the ending of inequalities within our own societies.

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Non-alignment is neither neutrality nor indifference. It involves active and free exercise of judgement on certain principles. Peace is not passive. As a remarkable woman of my country, the poet Sarojini Naidu, said, "True peace is not the peace of negation, not the peace of surrender, not the peace of the coward, not the peace of the dying, not the peace of the dead but the peace militant, dynamic, creative, of the human spirit which exalts". Today let us concern ourselves with future, mobilising all our resources, material and moral, in our cooperative quest for such a peace.

—Address given on February 11, 1981 at the commemorative Session of the Twentieth Anniversary of the First Summit Conference of Non-Aligned Countries, New Delhi.

International Brotherhood

Actions today mould our tomorrows. We can turn our backs to the sun and cast long shadows on the lives of generations to come, or we can let light penetrate, illumine the dark patches of the human mind, renew the earth and conserve human and physical resources. The choice is ours.

The time has come to rise above pettiness and to break down meaningless barriers, to joint together not just for better things but to reach out for the values which could make us better beings; each one of us adding something no matter how small, to the total of the world's dignity and courage, its happiness and goodness, its beauty and wisdom.

—Introduction, *Indira Gandhi: Peoples and Problems*, London, Hodder and Stoughton, 1982.

Economic Planning

In planning for the future, we have to take particular care to see that the benefits of development are spread as widely as possible. Apart from specific legislative and adminis-

trative measures for preventing concentration of wealth and economic power, it is necessary to incorporate in our plans positive programmes for the weaker sections of the people, including in particular small farmers, farmers in dry areas and landless labour. In my view, the policies of lending institutions and cooperatives should be reviewed and recast, if need be, so as to provide special help to the small farmer.

—Speech given on April 19, 1969 at a meeting of the National Development Council, New Delhi.

Planning—Challenges

The Plan is the centre of our lives. We are immersed in poverty. The threat to our political stability comes from communalism, casteism, linguism and regionalism. Ultimately even our security depends on our economic strength.

No matter which aspect is considered, we are confronted with the problem of poverty. It is a tremendous human problem, for it affects the lives of millions and millions of people. The answer to poverty lies in development, and it is to ensure orderly and rapid growth that we, like others, have embarked on planning.

—‘Person to Person’ broadcast over the All India Radio—August 7, 1966.

Planning—Tasks

Whether in the public or in the private sector, planning should aim at liberating initiative in our society.

—‘Person to Person’ broadcast over the All India Radio on August 7, 1966.

On Planning

Every Plan is just another milestone in our long and arduous journey towards a better life for our people.

—Speech initiating debate in the Lok Sabha on the Draft Fourth Five-Year Plan on May 8, 1969.

Planning

Planning certainly has its critics, but the fact remains that in modern conditions, and in a developing country like ours, economic planning has become indispensable. Compared to the tasks to be accomplished, the resources of money, trained manpower and administrative and managerial skills are in short supply, and they have to be allocated primarily with a view to the national interest rather than the interest of any private individual or group. This is, after all, what the Plan seeks to do. At the same time, and through such rational allocation, it can lead to an augmentation of the now scarce resources, and thus gradually extend the limits of our economic freedom.

For us in India, planning is a charter of orderly progress. It provides a framework of time and space that binds sectors and regions together and relates each year's effort to the succeeding years, impelling us all constantly to greater cooperative endeavour. By strengthening the economic fabric of the country as a whole and of the different regions, it makes a powerful contribution to our goal of national integration. The Plan gives con-

crete expression to our national purpose. With its implementation, we shall have advanced yet another stage towards our goal of a prosperous, democratic, modern, socialist society.

—*Preface to the Fourth Five-Year Plan, July 18, 1970.*

Technology and Self-Reliance

We are conscious that growth cannot be sustained on borrowed or even adapted technology. True self-reliance can come only as we develop the ability to solve our technological problems. Some are small but on big scale. How can our villages develop unless a wide range of tools can be placed at their disposal and modern fuel brought to them at nominal prices? We often hear the term 'intermediate technology'. In this, our scientists and technologists have much to do.

—*Address given on August 9, 1968 to the Conference on Application of Science and Technology to the Development of Asia, New Delhi.*

Technical Education

Over the past twenty years, general and technical education has expanded considerably in India and we have developed a significant scientific and technological capability in several directions. It is now our endeavour to rationalise the structure of Indian science and to relate it more closely with the processes of planning and development. We must have a policy for science and equally science in policy.

—*Address given on August 9, 1968 to the Conference on Application of Science and Technology to the Development of Asia, New Delhi.*

Technological Advantages without Bondage

We would certainly like our society to benefit from technology, but we do not want to be imprisoned by technological structures. We have no wish to re-enact the experiences of the West. Our national personality must evolve in its own way. Increasing material affluence does not seem to have satisfied man's deepest yearnings. Society must be imbued with the values which will enable man to find fulfilment and to enjoy his world.

—*Speech at Paris Luncheon on November 8, 1971.*

Plan Goals must be Achieved

... Decision-making must be expedited and there should be greater delegation of financial and administrative powers, simplification of procedures, improvement in work environments, better maintenance of plants and equipment for increased capacity utilisation. Priority should be given to complete projects which are in advanced stages of completion, rather than in generating new capacities.

—*Address given on March 14, 1982 at the meeting of the National Development Council, New Delhi.*

Regional Approach to Develop Indian States

In our system, the States are distinct units and each has its problems, but a regional

approach helps each unit to solve its problems better. Even in the international sphere the regional approach is now being welcomed...

The complexities and diversities of India are many. They relate to language, to religion, resource endowments and the quality and pace of development. But we are an integrated whole, determined to survive unitedly in spite of differences. We are constantly trying to resolve these differences. All States and all regions must share burdens and contribute to the development of the country as a whole. The country's progress does not depend only on the speed of the fastest, but must take into account the pace of the weakest. This is why our schemes of development pay special attention on the redressal of regional disparities."

—Address given on December 22, 1980 at the meeting of the North Eastern Council in New Delhi.

Strengthening Planning to Remove People's Problem

Planning is the only rational way of husbanding our resources, of organising ourselves for the hard and long grind for material and cultural fulfilment. Time and again, our plans have been buffeted by unforeseen winds: several invasions, repeated droughts and two periods of sharp escalation in the international prices of oil and industrial machinery. In spite of it all, the last 30 years have shown that planning works. It allows social objectives of growth and justice to be achieved much more efficiently than a free play of market forces could ever have hoped for. I remain committed to planned development, as are my party and my government. At the same time, we must ceaselessly work to make it more effective for the fulfilment of our objectives. Self-reliance, speedier redressal of problems of the most vulnerable groups and regions, and the steady diminution of disparities. Within this broad approach, we have to be flexible and ready to innovate. If some remedies do not work, we must try others.

Planning was chosen as a method to attack the problem of poverty. Poverty is the most degrading experience of human existence—an intensely moral question. Growth by itself does not end poverty, it is the manner in which we plan to grow that matters. Hence in my mind there is always the question of what is to be done to break the moulds within which poverty grows. Hence our special programmes designed to meet the problem of the poor. The rationale of these programmes is not charity, not providing temporary relief or doles; it is the strengthening of the productive capacity of those who today produce very little. Most of the items of the 20-Point Programme seek to improve the productive forces and to alter the very contours of our apparatus of production.

—Address given on November 16, 1983 at the Silver Jubilee Celebrations of the Institute of Economic Growth, New Delhi.

Defining Our Socialist Path

In India we have taken the Socialist path. Our Socialism does not envisage choking of private initiative. In fact, we have stood by and we do stand now for a mixed economy in which both the public and the private sectors are active. We do not want the State to do everything, because, apart from this not being possible, the State will not be able to undertake everything. It is also not desirable for the State to do everything. What then is our Socialism? It means that the State takes upon itself the responsibility for wiping out poverty, for initiating steps which will increase production, for modernising our economy by establishing key modern industries, for enforcing social purpose in all economic activities, for reducing disparities and setting right the historic inequalities between different classes and different regions, and, in particular, for checking and preventing the growth

of monopoly. Now all these are the responsibilities of industry and of all those who are interested in the growth of the nation.

*—Address to the National Alliance of Young Entrepreneurs,
Bombay on October 25, 1969.*

Poverty and Equal Rights

The basic problem in India is one of poverty. We feel, therefore, that democracy cannot be real for the people unless it is accompanied by a system which gives greater equality. You all know that the words freedom and democracy did not always mean what they mean today. In periods of history they applied only to a limited group. A few people were privileged people and were known as citizens; the rest may have been slaves or not entitled to the rights of freedom or democracy. But today no one will accept that situation. Today democracy means that every single person living in a country as a citizen should have full and equal rights.

*—Address given on November 6, 1971 at
Columbia University at New York.*

We are engaged in overcoming the stagnancy perpetuated by years of feudalism and colonial rule when we were deprived of industrial, technological and social change. The results achieved in a democratic society may appear less impressive than those of a controlled society because of voices of dissent and discontent, and the absence of organised propaganda.

*—Speech at Paris Luncheon
on November 8, 1971.*

Technology

Technology is the base of economic progress. Where we do not have it, we must import, always bearing in mind that such imports should lead to the growth of indigenous technology. Where necessary, foreign technology has to be absorbed and used through our own research and development efforts to build our self-reliance.

*—Address given on December 29, 1981 at the inauguration
of the Golden Jubilee Celebrations of the Indian
Statistical Institute, Calcutta.*

Economic Recovery and Self Restraint

It has been our endeavour ever since independence to pay the greatest possible attention to the rural areas. But it is only when you have the resources in terms of funds and goods, that you can help the rural areas. And this can only be generated by increased production, agricultural and industrial. Agriculture or rural development is not possible without industrial progress. And as the rest of the world gets more and more sophisticated, the more difficult it is for countries like ours to catch up and to help. Nevertheless our capacity has been growing. We have paid attention to the rural areas from the beginning. As the capacity is growing little by little, we are doing more and more for the rural areas. But you know from your experience that the more backward an area the more difficult it is to bring it forward. Even when money is put in, even when the industry is started, it takes a long time before any effect is felt in the area. We are conscious of this, not only because

a large part of our country is and probably will remain agricultural but because we depend on our peasants for survival and even for our industrial progress. We want to export industrial goods naturally but we also want to increase our agricultural production so that we can meet some of the food and other demands of neighbouring and other countries, thus getting more for foreign exchange and creating a sounder base for our economy.

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I am well aware of the deficiencies of the public sector. We keep prodding it. But in fairness we should also recall the achievements of the public sector and its contribution to our economy. Notwithstanding the scepticism (of flag-waving so called Leftists and Rightists) we have made a mixed economy work. Organisations like yours have a responsibility in economy that welfare reaches unto the last. Every concession for which you ask should be weighed carefully in the scales of social justice. Every project should promote essential consumption. Every collaboration should lead ultimately to greater knowhow and self-reliance.

The nation must rededicate itself to the values of hard work, discipline and the pursuit of clearly perceived objectives of economic growth and social justice. It is essential to raise productivity in the factories and the farms. Lock-outs, strikes and go slows have to be avoided, idle capacities must be fully utilised, and new investments brought to production without slippages.

*—Address given on January 4, 1981 to the
Bengal National Chamber of Commerce
and Industry, at Calcutta.*

Facing the Future with Confidence

I have no hesitation in saying that communalism and casteism are worse than almost any other threat we have. Both are two sides of the same coin and the most reprehensible of all anti-national elements. We can easily meet external threats. But communalists, as I have said many times, are like white ants who eat up the wood or the grain from within... I don't say there are communalists in only one religion. They are there in all religions. And anybody who is fanatical in that way feeds the fires of fanaticism in other extremist groups. Therefore, we have to worry against them all equally.

*—Address given on September 17, 1981 during debate
on a 'no confidence' motion in Lok Sabha.*

Cooperation for National Progress

There is time for everything and this is certainly a time for working together. We have definite policies which have stood the test of time. By 'we' I mean our party. We are open to new ideas and suggestions.

*—Address given on February 25, 1981 in Rajya Sabha
in the debate on the motion of thanks for the
President's Address.*

Need to Follow Our Ideals for Progress

I should like to reiterate that we are not against the rich or the affluent, the East or

the West, or the North. We want to resolve the problems we face in our own country, we must follow the ideals which are relevant to our position and for our progress. These ideals, which were first enunciated by our leaders, are timeless and still relevant. How sad that even our expressions of frustration and anguish are resented.

—Address given on September 30, 1981 at the Inaugural Session of the Commonwealth Heads of Government Meeting at Melbourne.

Socialistic Pattern of Society

However, I should like to remind the House that it was more than a decade ago that the Parliament put before the country the goal of a socialist pattern of society. To us this did not imply ownership of all the means of production by the State, but we did visualise that there should be large areas for the operation of private initiative and enterprise, subject always to regulation in the public interest. The socialist pattern of society did impose on us the obligation to bring the strategic areas of our economy under State ownership and control. It also meant that the Government had and has an obligation to take remedial measures to ensure that our political democracy is not eroded by economic distortions.

—Speech during a debate in Rajya Sabha on the Banking Companies (Acquisition and Transfer of Undertaking) Bill on August, 1969.

Language

Language is a means of communication. Its importance diminishes if politics are brought into it, just as dragging religion into politics makes religion narrow.

—Address given on October 28, 1983 while inaugurating the Third World Hindi Conference, New Delhi.

Hindi as an International Link of Friendship

Hindi has to work as the link between the country's languages. It has been so recognised not because it is the most developed of all these languages but because non-Hindi people have adopted it. They also have a claim to it. Gurudev Rabindranath Tagore wrote that Indian languages are rivers while Hindi is the great river and both would dry up unless they drew sustenance and developed together.

—Address given on October 28, 1983 while inaugurating the Third World Hindi Conference, New Delhi.

Growth of Hindi

This is an age of science and technology. Humankind cannot progress without them. Knowledge is growing at a fast pace. It is necessary to enlarge the scientific and technical literature available in Hindi. Hindi can benefit from and progress by imbibing knowledge from other languages of the world. It is essential that our scientists should begin thinking and writing in Hindi. I am happy to find greater use of Hindi in children's programmes. Hindi can grow only through the creation of scientific and other literature which will prompt other languages of the world to go to Hindi. Hindi has to be enriched and made a

repository of knowledge so that more and more people may benefit from it.

—Address given on October 28, 1983 while inaugurating the Third World Hindi Conference, New Delhi.

Administrative Efficiency, Bureaucracy and Corruption

In economic development as in other fields of national activity, there is a disconcerting gap between intention and action. To bridge this gap, we should boldly adopt whatever far-reaching changes in administration may be found necessary. We must introduce new organisational patterns and modern tools and techniques of management and administration. We shall instil into governmental machinery greater efficiency and a sense of urgency, and make it more responsive to the needs of the people.

—First Broadcast as Prime Minister, All India Radio, New Delhi, January 26, 1966.

Generalists and Specialists Bureaucracy

Development, even more than maintenance of continuity and order, has become the business of the administrative apparatus. The implementation of plan programmes requires a greater say for the expert and the technician and re-examination of old norms so that the desire to enforce obedience to rules does not hold up work. At the same time the general administrator himself has to acquire a greater understanding of economic and technological forces.

In all countries today there is a kind of battle between the expert and the generalist. Our aim should be to ensure that the country gets the best from both. Sometimes I find that our experts are not expert enough. Nor are they immune from the common human frailty of in-fighting or a sense of hierarchy. The expert and the generalist are both products of the same social milieu, and both must strive to equip themselves for future tasks in a world where interdisciplinary approach is becoming the key to advance.

—Address to the annual meeting of the Indian Institute of Public Administration, New Delhi, October 22, 1971.

Role of Professional Managers

The managerial mind has special appreciation of cost and benefit. With the right kind of training, it will count not only the economic cost and benefit, but also the social cost and social benefit. The managerial mind is attuned to change. The advice of the professional manager should, therefore, be of special value to the Government. The decisions of the Government affect the future of millions, so it is important to take advice from those who look towards the future. The general administrator is basically a *status quo* man. He lives by rules which are the outcome of precedents and past experience. The scientist, on the other hand, is an agent of change. The future has no precedents. Scientists and managers and, indeed politicians, must have a keen perception of the future and be sensitive to change. Expert knowledge provides the necessary means for informed governmental decisions, especially when they deal with the increasingly complex process of industrial and economic growth. Most people still tend to judge a government by the static norms of the revenue-dominated and law-and-order administration of the olden days, little appreciating how complex the process of government has become in the last twenty years.

—Address given on April 13, 1968 to the third annual convocation of the Indian Institute of Management, Ahmedabad.

Corruption

...Corruption is corruption, whether practised by a person in power, or a person aspiring for power, or any other, and we have to fight it on all fronts and at all levels. There is no sense in taking a 'holier than thou' attitude, focusing on certain individuals and instances. Corruption anywhere will pollute the whole system and must be treated as a symptom of a wider malady.

—Address given on March 1, 1982 in the debate on the Motion of Thanks on the President's Address to Parliament, in Lok Sabha.

Corruption and Vigilance

Senior officers must go all out to regain the people's trust and also to look into the genuine hardships of their own junior colleagues. In this task they will have the Government's fullest support.

The people rightly expect the administration to be efficient, prompt and honest . . .

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It is sometimes said that corruption is due to poverty and gross disparities. This would imply that the rich and advanced countries are free of it—which is very far from the truth. It is also an uncalled for slur on the poor, for the poor of India are among the most upright persons anywhere. They are the victims of corruption and exploitation, not the cause of it. Corruption is noticed and commented upon in our country because it occurs where the administration comes into touch with the people at large. It arises when individuals want to follow consumption patterns beyond their incomes. The constant emphasis of the media on material goods, the visions of the comforts enjoyed in advanced societies, proliferation of regulations, the pressure of inflation, the breakdown of religious and ethical constraints, a general rise in permissiveness—all these contribute to increase in corruption.

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There is widespread belief that the efficiency of the various police services will increase if there are more gadgets. This is correct only to a certain extent. Because in spite of all the latest equipment and a much larger force in the affluent countries, there is a sharp increase in crime and growing police ineffectiveness. In fact more so, than in our own country.

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We have planned our development with a view to raise the standard of living of our teeming millions. Hence our economic development is inspired by social justice. We have been earmarking thousands of crores of rupees towards this goal. It is all the more essential that our achievements do not suffer because of mismanagement or neglect. Every rupee earmarked for this purpose must reach those for whom it is meant.

—Address given on March 23, 1981 at the Ninth Joint Conference of Officers of the Central Bureau of Investigation (CBI) and the State Anti-Corruption Agencies, New Delhi.

Need for More Humane and Competent Police Service

You know that the police are a major line of contact between Government and the people. The entire Government gets a good or a bad name depending on the level of competence and courtesy of the police. Of late the police have been greatly in the news

and as you will all agree, in rather an unfavourable light. The decline in the prestige of the police and certain trends within police and security forces are causing us much concern. We should act speedily to correct the situation.

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The police force is an instrument of social change. The present image of the police among the public is that it consists of unthinking individuals. This must change. A change can be brought about through imaginative understanding at the higher levels of the Force and intensive training at lower levels.

—Address given on December 19, 1980 to the Conference of Inspectors-General of Police in New Delhi.

Role of Trade Unions

Development is now found to be a far more complicated process than could ever be imagined in the late forties and early fifties. Our people are neither lazy nor unintelligent. But whereas in the rich countries, political consciousness followed industrialisation, we started the other way around. The insights gained by the West during its own post-war reconstruction were thought, wrongly as we now see, to be relevant to primary development. Each passing year demonstrates that the motive force of development is not the same in all countries and that what succeeds in one, may have entirely different reactions in another. There are no universal panaceas. Each country needs visions, competent and dynamic leadership and above all a determination to be self-reliant. It is for this we want international sympathy and programmes of concrete cooperation.

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The multiplicity of trade unions with different political ideologies is a serious problem. Some of them are more concerned with enlarging their own hold. Not only is production in vital areas held up but sometimes even installations are damaged. Powerhouses and hospitals are shut down. The community is held to ransom. One of the principal responsibilities before enlightened trade union leadership is to kindle social consciousness and make workers aware of the problems of the less favoured sections within the working classes.

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We all, different sections of the people, and different parts of the globe, have tried to take the maximum out of the earth. Mankind has fought, killed and ravaged. The time has come to cry halt, to pause and think "Whither man?", to match growing knowledge with wisdom and understanding, to turn from conflict to cooperation, to forge a partnership which will renew the earth's resources and bring to fulfilment the vast potential of man himself, raising him to higher levels of evolution.

—Address given on March 18, 1981 at the ICFTU World Conference, New Delhi.

Working Classes

Our working classes have always shown a high sense of patriotism more so during difficult times and I do sincerely hope that they will act with patience and restraint and do nothing to hamper production in factories or work in offices. Within the means available, the Government have been always anxious to do justice to all sections of people, and shall continue to do so. But we cannot ignore the poorest amongst the poor who call for

immediate attention. The better off people cannot be secure unless the weaker sections are made stronger. There is not or rather should not be rivalry between any section.

—Address given on February 26, 1981 in the debate on the motion of thanks on the President's address in the Lok Sabha.

Family Planning and Health

Meaning of Population Planning

I see population planning, as indeed any other programme, not in terms of numbers but in terms of individuals: men, women and children. And of human realities. Every child, said Rabindranath Tagore, is a reminder that God has not despaired of man. But so many million children in the world are victims of human despair and incapacity. They are denied their rightful share of food, shelter, learning and love. Child bearing should be a joy, not a burden, and since it is the mother who bears and rears the child, we are concerned not only with her health but her will. Family planning is proof of our love for children and a test of our claim to be good mothers, good fathers, and a good society.

—Address given on September 30, 1983 while accepting the UN Population Award, New York.

National Consensus Needed on Family Planning

Human will must intervene and change the circumstances. Education in the wider sense of the word, formal and informal—through all organisations, institutions and services and, of course, committed individuals—is the most effective instrument to bring about changes of attitudes and behaviour, and make men and women more enthusiastic participants in a mass movement for smaller families.

—Address given on May 25, 1981 at the inauguration of first National Conference of Parliamentarians on Problems of Population and Development, organised by the Indian Association of Parliamentarians in New Delhi.

A People's Movement for Health and Family Planning

Health and family planning are not a fall-out of development but an indispensable input. If our dreams and our programmes for a better life for our people are to be realised, the birth rate must be brought down. I am not advocating this for any cold statistical reasons but because the everyday lives of so many millions are involved. Every man, woman and child must have a better chance in life, in terms of food, shelter, education, employment and physical, aesthetic and spiritual fulfilment. This will be possible only if the population growth is much smaller than the overall economic growth. Our people must be educated to understand the importance of small families and to adopt the means to limit conception. The objective of a birth rate of 21 per thousand and a death rate of 9 per thousand by A.D. 2,000 is desirable and practical and we must achieve it.

—Address given on June 15, 1981 at the Seventh Joint Conference of Central Council of Health and Central Family Welfare Council in New Delhi.

Unity, Stability and Integration

Indian unity is an established fact. It is not dependent on a political party or a person.

It is something which just exists in India and I do not think that it can easily be diminished or weakened. But there are many tendencies which could weaken unity. In fact, I think in the whole world there is always constant conflict between things that divide and weaken and others which cement together. It is for us to work towards the cementing, uniting, strengthening factors rather than the others.

—Address given on November 6, 1971 at Columbia University at New York.

Unity and Preparedness to Fight Alone

India is united as never before, and India feels so strongly about these basic things, whether it is freedom, whether it is democracy. It is a whole way of life with us. It is not a dogma, it is not an ism that we follow. It is a way of life which has kept our nation alive for thirty centuries. And we are not going to have it attacked because it suits somebody or other or does not suit somebody or other. We want help, we want support, we welcome sympathy. But basically in the world every individual ultimately is alone and every nation is ultimately alone. And India is prepared to fight alone for what it thinks worth fighting for.

—Address given on November 6, 1971 at Columbia University at New York.

Stability in India

We must strengthen ourselves not for dominance nor leadership, but to be able to look after ourselves and to solve our problems. If only for its size, India's stability is essential to harmony in our region.

—Introduction, Indira Gandhi : Peoples and Problems, London, Hodder and Stoughton, 1982.

National Integration

Our concern is what kind of India shall we bequeath to future generations—a strong, harmonious, self-confident India or a feuding, weak, schizophrenic India. We talk of national integration. It is not a mere phrase but an awareness of the burden and task that history has placed on our shoulders. I have no doubt that all of us, whatever our party or political creed, hold the freedom and integrity of our country as supreme and dear above all else. But freedom and unity cannot be taken for granted. Eternal vigilance is the price of our integrity, as it is of all liberties.

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No true religion can conceivably teach hatred of other religions, but we have had communal organisations which have persistently given a distorted picture. It is an unfortunate fact of life that these organisations are thriving in many parts of our country. We cannot be helpless spectators but should try vigorously to counteract the influence of such organisations by all political, legal and administrative means that are available. A party may gain when riots occur by blaming the Government, but such a gain is bound to be temporary. It is the people who are the sufferers and no party can make a long-standing gain out of the people's misery.

—Address given on November 12, 1980 at the National Integration Council meeting, New Delhi.

Tolerance

Of course, where there are men (and of course also women) there are bound to be tensions, and now and then they become so evident that we have to set up organisations such as the National Integration Council. But this is all a part of life and in no way do these disagreements weaken our unity or interfere with our progress. We have steadily grown stronger by responding positively to genuine local demands and grievances, whether of linguistic groups or tribes wanting to retain their special identity, or demands to redress imbalances caused by the uneven economic development of a region. The political importance of tolerance is borne out by the history of the constituent states of India. Tolerance does not mean adopting the line of least resistance but the resolution of tensions and rivalries in such a way that violence is prevented. This positive concept of change includes an increasing effort to cleanse society of old inequalities and injustices.

—*Speech at Austrian Society for Foreign Policy and International Relations at Vienna, October 28, 1971.*

Secularism

Secularism in India does not mean animosity towards religion. It implies equal respect for all religions and a separation of church from State. Nor is it limited to religion alone. It is concerned with the breaking down of other barriers—of caste, of region, of language, of colour, of prejudice and of superstition. It implies a rational approach to modern life, based on the principles of liberty and social justice.

—*Address at four hundredth anniversary celebration of the Cochin Synagogue, December 15, 1968.*

Bridge of Unity and Brotherhood

It has always been our endeavour to build bridges, not only across rivers but also in the hearts of the people. We have in India people of different communities following different religions, speaking different languages and living in different provinces. We wish to build a bridge of this kind between them, a bridge which may not be apparent. What will be apparent is the spirit of friendship, brotherhood, love and cooperation. These are the bridges we seek to build.

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Before and after Independence, our leaders showed us the path of service and taught us how to fight superstition and march forward to modernity, retaining our old values and taking all religions of India along with them. Modernity does not mean we imitate what other countries are doing. It means we benefit by the good work done by other nations, either in the field of science or any other. We have also to apply our minds and improve upon what we adopt from outside. What happens at present is that we stop at what we have adopted from others. This task is not something which can be done by the Government or by issuing an order. Our youth must feel that they have to carry the country ahead, the community and the people of India ahead.

—*Address given on August 29, 1983 on the occasion of laying of the foundation stone of the new Yamuna bridge in Delhi.*

Freedom

It has been said that "Freedom is not the right to do as one likes but the liberty to do as one ought". Freedom is not a negative concept—merely the rejection of foreign rule. Freedom is that which helps us to break out of the confines of fear and hate, of chauvinism and obscurantism and of the shackles of dead habit. Freedom is the atmosphere which enables each individual to grow to his full height. This is the freedom for which we must strive.

—Article published in the Independence Silver Jubilee Number of Socialist India, August 1972.

Spirit and Freedom

Loyalty cannot be commanded by force. The spirit of man, his yearning for freedom and human dignity, cannot be extinguished by repression.

—Speech at Paris Luncheon on November 8, 1971.

Maintaining our Freedom

The struggle for freedom began when the first man was enslaved and it will continue until the last man is freed not merely of visible bondage but of the concepts of inferiority due to race, colour, caste or sex. Only those who are free in spirit can be the torch bearers of freedom and pioneers of the future.

The greatness for which we strive is not the arrogance of military power or the avarice of economic exploitation. It is the true greatness of the spirit which India has cherished through the millennia. Man in the nuclear age stands at a crucial crossroads in his destiny. Let us rededicate ourselves not only to the service of India and her great people, but beyond to the broader goals of world peace and human welfare so that generations yet unborn can live with dignity and fulfilment, as part of the great world family.

—Speech given on August 14-15, 1972 at the midnight session of Parliament.

Defending Freedom

Let us then continue to conduct ourselves with quiet confidence in ourselves so that the world should see and know that India cannot be browbeaten nor lulled into a false sense of security. Calmness of spirit and strength go together. India is calm and we are capable of taking decisions in defence of our security and our stability.

—Extract from statement in Parliament, New Delhi on November 15, 1971.

Responsibilities after Freedom

During our struggle for Independence, it seemed that freedom itself would be fulfilment. But when we achieved it we knew that every completion was a beginning. For us, this was a start of a great experiment in the creation of democracy in an ancient, complex and vast country.

—Speech at Royal Institute of International Affairs, London, on October 29, 1971.

Order and Freedom

The urge for more and better goods has led to the dehumanisation of the processes of production. Man is no longer regarded as an individual but as part of the machine, a producer and a consumer. Legal institutions are guardians of the *status quo*. Despite advances in education, the student is educated and moulded for society as it is. There is no looking forward to or preparing for the ideal society, one with justice, brotherhood and generosity. Little by little, the machine has liberated man from physical constraints but it has enslaved him in abstract ones. Everyone realises that change is inevitable and that the pace of change is accelerating. Obviously, today's institutions need flexibility to meet this constant challenge of change, but those who are in a position to ease the transformation are afraid to question the old order and its structures. Even new institutions lose no time in putting down roots and create vested interests which are difficult to dislodge. In a world of expanding potentialities and aspirations, any institution or organisation which has become static is bound to lose contact with the human dimension.

Concepts do not remain the same. Through the years, the words freedom and democracy, for instance, have expanded in meaning. They encompass not a small number of privileged but all the people. Increasingly, in a democracy people are not content to be voters. They want also to be participants. And they expect more, for freedom and democracy are no longer ends, they are the means. People are asking where they are leading. Because they have received no satisfactory answer, young people have lost their enthusiasm for liberalism and are disillusioned with existing institutions which they interpret as symbols of the establishment, rigid and unjust, geared to thwart them in their groping for new directions.

In almost every country, a section of youth employs the violent gesture to repudiate these static structures and what they stand for. It is tragic that the act of violence seems to have become the symbol of the Hero.

Traditionally, the remedy against disorder has been punitive action—counter violence and war which, in turn, lead to further disorder. But order is a basic need, integral to nature and to man. From the cell and the atom, to the human brain and the most complex technological invention such as the computer, order is vital. So is freedom. In fact, it is the impulse for freedom to realise one's true quality which is activating several movements of protest. This then is a challenge to the people no less than the Government, to students no less than teachers, to ensure that order is compatible with a free society.

—Address given on November 2, 1971 at
Oxford University.

Freedom in Modern Society

In a modern society, freedom cannot be the unrestricted play of individualism nor the apotheosis of private interests and private enterprise as against social interest and the public good. Freedom lies in a delicate and continuous balancing of the rights of the individual with the rights of society.

—Address given on October 29, 1971 at the Royal
Institute of International Affairs, London.

Agricultural Production

Only greater production will solve our food problem. We have now a well thought-out plan to see that water and chemical fertilisers, and new high-yielding varieties of seed,

as well as technical advice and credit, reach farmers. Nowhere is self-reliance more urgent than in agriculture, and it means higher production, not only for meeting the domestic needs of a large and increasing population, but also for exports. We have to devise more dynamic ways of drawing upon the time and energy of our rural people and engaging them in tasks of construction. We must breathe new life into the rural works programme and see that the income of the rural labourer is increased.

—*First Broadcast as Prime Minister. All India Radio, New Delhi, January 26, 1966.*

Self-Reliance and Inter-Dependence in Agriculture

This is our policy, as can be demonstrated by the rates of agricultural investment in different Plan periods. The idea that agricultural development can be sustained by neglecting industrialisation is equally erroneous. The two sectors are interdependent and the growth of the one is integrally linked with that of the other.

* * * * *

The absorption of technology is a matter not merely of calculating costs and benefits, prices of technology, costs of labour displaced or revenues of product achieved. Technology has an impact on society—the mode of living and the relationship between people and institutions. Technological change cannot be abruptly imposed. It has to be a process of evolution. However modern, however beneficial a technology, it has to fit in with indigenous culture and capabilities, and harmoniously transform tradition into modernity.

—*Address given on November 9, 1981 at the 21st Session of the Food and Agricultural Organisation of the United Nations, Rome.*

Cooperatives in National Life

Co-operatives should be run on modern commercial principles. However, they should think not merely of the return to their own members, but of benefit to the entire community. If for example, the collective efforts of a group of individuals in a sugar co-operative bring them prosperity, they must explore ways of seeing how this prosperity can be shared in a wider sphere, that is even with consumers. Co-operative organisation should also consider future investments demanded by technological changes. It is because many of our private industrialists have failed to do this that we are burdened with sick mills. The prospect of successful cooperatives which have turned themselves into crass commercial enterprises is a depressing one. At the same time, many co-operatives have established schools and colleges which have benefited the larger community. Cooperatives should become disseminators of managerial and technological talent.

* * * * *

Yet another poison that is being assiduously spread is the 'sons of the soil' theory—as though people born in another part of Indian soil are not equally sons and daughters of Mother India. These narrow doctrines can be checked only by the united will and united action of right-thinking people. In this task I seek the co-operation of co-operators. I sincerely hope that within the co-operative movement, caste or communal or regional feelings or institutions will not be encouraged.

—*Address given on October 1, 1980 at the platinum jubilee celebrations of the cooperative movement in India organised by the National Cooperative Union of India in New Delhi.*

Definition of Peace

Peace is a call for never-ending exertion to achieve the good, not of a limited area but of all human beings, indeed of all that is in creation.

—*Speech at Bonn Banquet on November 10, 1971.*

Search for Peace

The search for peace calls for determined effort. Peace cannot be attained by waiting and hoping, but through action and perseverance. Even for an individual, there cannot be a private quest for peace, nor for a nation can it be merely a national effort. It must be an international imperative. A day before he was assassinated, Mahatma Gandhi said that the way to peace was to live amidst strife and to struggle with all one's might to overcome it. This applies to nations no less than it does to individuals. Dreams must be accompanied by endeavour. As Pushkin said:

I crave more life, more dreams, more agony
Midmost the care, the panic, the distress,
I know that I shall taste of happiness.

—*Speech at Moscow Luncheon
on September 28, 1971.*

Preparing for Future

The conviction that we can and must shape the future has been the motive force of political revolutions and of scientific break-throughs. We can best prepare for the future by developing minds which are free of prejudice and which override divisive bounds of creed, of race and of nation; minds, capable of understanding the forces which affect man as an individual and as a social being. No man should feel alienated from nature or from his fellow men.

—*Address given on September 29,
1971 at Moscow University.*

Better Books for the People

A high literacy rate is not always accompanied by the desire to read. Nor do economically better-off groups or regions necessarily buy more books. The prevalent social mores do not seem to set much store by books. Perhaps you have heard the story of a person who couldn't decide on a birthday gift. 'Why don't you give a book?' advised his friend. 'That doesn't solve the problem. She already has a book' he replied! Some who are fashion-conscious acquire books for their snob or decorative value. I heard from a book-seller that some people choose books for their colour or size!

—*Address given on February 4, 1982 at the
Fifth World Book Fair, New Delhi.*

Sympathy for Disabled Persons

We have passed legislation to help the handicapped and will not hesitate to do again whenever necessary. In order to give more comprehensive care for the handicapped the

Ministry of Social Welfare is thinking of a basic law on different aspects of the rehabilitation of the disabled. However, legislation is of limited help. Apart from the legal aspect, there should be more widespread recognition amongst likely employers that the disabled can be full members of society. If they cannot tackle one job they are capable of something else and should not be deprived of the opportunity to support themselves. They do not ask for, nor should anything be done out of charity. It is their right as citizens and it is in the country's interest. Sometimes children and even grown-ups thoughtlessly ridicule the disabled or deformed people. This is cruel and must not be allowed. What is essential is to create public consciousness, not in the sense of pity but compassion, which is deeper and which leads to positive action. I feel strongly that this awareness and concern should be created from the earliest stages of education and our children should be taught about health education, road sense, cleanliness and other preventive action and these should form a part of our textbooks.

*—Address given on January 5, 1981 at the
International Year of Disabled Persons.*

The Urge to Do Better

Although we are proud of the growth that has been achieved, we have vast areas to explore. This is a continuous process. At no time can you say that you are satisfied. We must always be dissatisfied. There are two types of dissatisfaction. One is that you are dissatisfied and you say nothing can be done, you just sit back and do nothing. The other is that dissatisfaction which urges you to do better.

*—Address given on June 8, 1982 at the joint meeting of the
All India Handlooms and Handicrafts Boards, New Delhi.*

Rekindling of Spirit of Adventure

To us Indians, the Himalayas are not just a great mountain range. They are an inseparable part of the Indian consciousness, standing for eternal values. More than anything, the mountains teach us to look deep into ourselves and beyond, to a sense of oneness with our universe. Each one of us is alone and yet so much a part of the whole. When you are at the top, it is a triumph of science but also of your spirit. This is a combination we need in all spheres of activity and in our daily lives.

*—Address given on August 27, 1983 at the Silver Jubilee
of the Indian Mountaineering Foundation, New Delhi.*

Purpose of Laws and Rules

It is true that the Government of India—perhaps all Governments, but ours more than others, except the Communist countries—tend to regard rules as the law of life. We forget that laws as well as rules are there to help the country to function, not to stop its functioning. Unfortunately, this is happening here from the highest strata down to the lowest. How we are going to avoid it, I do not know. If rules or laws prevent progress how is the country going to move forward? I think it will be a caricature of democracy, rather than true democracy, if in the name of democracy people are hauled up for genuine mistakes. You cannot progress, you cannot do anything, without making mistakes and by being afraid of mistakes.

We have to see which mistakes are inadvertent, whether somebody has deliberately done something wrong which can go against the national interest or the interest of the

institution. But if in public life we do not make this and many other similar distinctions, people will not be able to function more freely and more effectively.

—Address given on July 3, 1982 to Directors of CSIR Laboratories, New Delhi.

Radio and TV for Villagers

... We need young people—whether they belong to Nagpur or any other part of the country—who look ahead and who can help us in raising the level of what is called software. Today we lag far behind in this regard. I am not ready to accept for a moment that our people lack ability. The capability is there, but the question is how to bring it out and make full use of it.

... As you know, 75 per cent of the population of India live in villages. Our primary concern should be how best to serve the vulnerable sections of our country and increase their knowledge and benefit them, so that they could also contribute to the progress of our nation.

—Address given on April 10, 1982 while laying the foundation stone of a television relay centre at Nagpur.

Women Power and Radio

...If a handful of women go forward, become ministers or judges, you should not think that women's status has gone up. We call them 'devis' but we do not treat them as such. We want radio to create a new sense of social awareness, in which women can get respect and opportunities. Mahatma Gandhi had great regard for women. Vinobaji is also trying to secure an honourable position for them through the concept of 'Sri-Shakti'. It has always been there in our country. We must now see how we could utilise that 'Shakti' in taking the country forward, giving a new direction to youth, and strengthening their character.

—Address given on April 10, 1982 while laying the foundation stone of a television relay centre at Nagpur.

Search of the Young

I am, of course, very proud of our young people in India because in spite of enormous difficulties, they are facing the challenge of the future, and although sometimes their expression of dissent takes violent forms which I certainly do not approve, I think they are generally groping for something worthwhile. I hope that by our work we can persuade them to do their groping in a more constructive, cooperative and peaceful way.

—Address given on November 6, 1971 at Columbia University at New York.

Making Air Travel Safer and Less Expensive

There is vast scope for greater regional co-operation to develop airline services to finance fleets and improve ground facilities. Technical, administrative and political elements should all work together in a more co-ordinated manner.

—Address given on October 24, 1983 while inaugurating the 39th annual general meeting of the International Air Transport Association, New Delhi.

Utility of Television

It is difficult to say what is a necessity and what is luxury and waste. There are some obvious necessities such as food, clothing, shelter, health facilities and arrangements for education. Without these no one can live. But it should not be taken to mean that television is only a means of entertainment. We have been able to get many new things across to our farmers through TV. I would even say that its most important programme is the one for farmers. Farmers' clubs have been formed at many places. Questions are asked, and are answered and they are told about what is new. Therefore television has a big hand in increasing agricultural production and saving crops from pests and from plant diseases. It has also an important role to play in the spread of education.

—Address given on August 1, 1983 while laying the foundation-stone of the transmitter of Allahabad Doordarshan.

Public Sector Enterprises

Philosophy

There is no such thing as 'Public Sector Technology' or 'Private Sector Technology'. It is the same with project planning, costing, research, marketing and the rest. The Public Sector must stand or fall, like the private sector, on the tests of efficiency, profit, service and technological advance. The only difference lies in the fact of social control and social purpose with regard to the Public Sector. The 'philosophy' might be different. The operation is similar.

—Address given on June 14, 1966 at a Round Table Discussion on the "Role of the Public Sector", New Delhi.

Public Sector and Socialism

No country in today's world can progress, or even effectively retain its freedom, without a strong industrial base. And such a base cannot be built in a newly free country without State initiative. Our Public Sector is an essential feature and a dynamic instrument of Socialism. This is precisely why it has been under so much attack.

—Address given in April 1976 at the National Convention of Public Enterprises, held at New Delhi under the auspices of the Bureau of Public Enterprises and the Standing Conference of Public Enterprises.

Purpose

We advocate a Public Sector for three reasons: to gain control of the commanding heights of the economy; to promote critical development in terms of special gain or strategic value rather than primarily on considerations of profit; and to provide commercial surpluses, with which to finance further economic development.

—Address given on June 14, 1966 at the Round Table discussion on the role of the Public Sector, New Delhi.

Role

We envisage an expanding role for the Public Sector because we want it to occupy a key position in our economy. Only such expansion will lay the foundation for a self-

reliant economy and will prevent the concentration of the ownership of the means of the production. These enterprises belong to the nation. The very fact that they are publicly owned ensures that their performance will be under constant scrutiny and that there will be constant pressure for their improvement.

—*A Reply to debate in the Lok Sabha on the General Budget on March 17, 1970.*

Role in Development

The public sector in India carries a great responsibility for development. It has to do what the private sector does not have the capacity or the willingness to take up. I hope our public enterprises will exert themselves with renewed vigour to justify the investments and our expectations.

—*Address given on October 11, 1980 at Mazagon Dock, Bombay.*

Efficient management and evolution of a rational pricing policy for Public Sector enterprises, whether under the State or the Centre, should be an important element in our programme for the mobilisation of resources. Apart from improvement in the day-to-day management and fuller utilisation of the potential already built up, there is clear need to ensure that we secure a reasonable return on investments already made through appropriate revision of irrigation rates and power tariff. It is only by improving the rate of return on the investments already made that we can generate sufficient resources to maintain even a minimum tempo of development in the years that lie ahead.

—*Prime Minister Indira Gandhi's article originally published in Yojana, New Delhi, January 26, 1981.*

Challenges

The public sector also must accept the challenges of modernisation and productivity. At the beginning we needed it to acquire the commanding heights of economy. This has happened in large measure. This commanding position must now be used to promote vigorous industrialisation. The public sector is responding to this challenge, but in the period ahead I look not for incremental changes, but to a totally different picture of dynamism. We have the people, we have the skills to successfully undertake the emerging tasks which can be performed only in a new culture of accountability. This culture has to be fashioned and protected from complacency and apathy. The private sector will continue to grow alongside the public one. There has been tremendous growth of entrepreneurial skills. The small and medium scale sectors have established themselves as forces of growth. These must be encouraged. Policy should aim at integrating them with the changing profile of technology. Large industry also must accommodate itself to this new environment. Our social priorities compel it to become the vehicle for the assimilation of sophisticated technology into our production structure. This means much more investment in research and development than the present pittance. It has to reduce costs and stand up to competition. It simply cannot continue to bask in the comfort, or garner the quick profit of the sheltered market.

—*Address given on November 16, 1983 at the Silver Jubilee Celebrations of the Institute of Economic Growth, New Delhi.*

Management Culture

Public enterprise has to be a co-operative effort between workers, management and the Government, and as I have said before, the need to involve the public as much as possible.

Public Sector has to evolve its own management culture which is different from the bureaucratic culture or the private sector culture. Very often Public Sector management becomes an imitation of secretariat management or the borrowed ethos of private sector management. The result is that it doesn't acquire the virtues of either but it does take on the faults of both.

—Address given on April 5, 1983 at the Public Enterprise Chief Executives' Conference held at New Delhi.

Efficiency

We have invested hundreds of crores of rupees in our Public Sector projects. This money does not belong to capitalists or Industrialists. It is public money. Profits made by Public Sector undertakings are spent on public welfare—for building roads, schools, hospitals, etc. It is our duty to ensure that Public Sector projects are run efficiently and successfully and yield profits. The entire Indian public is a partner in these enterprises. Workers and managers employed in public undertakings suffer many deficiencies. We do not want to hide these deficiencies. But it does not mean that all Public Sector undertakings are badly run. Some of them are run very efficiently.

—Speech given on August 15, 1968 (from free translation of a speech in Hindi from the ramparts of Red Fort, Delhi, Independence Day).

Accountability

I think that it is accountability for overall performance to Government and Parliament that will ensure managerial efficiency and initiative in the Public Sector. This accountability cannot be an obstacle to managerial efficiency. Efficiency really springs from a accountability. But sometimes there is criticism, which is levelled without knowledge of the full facts.

—Interview to 'Citizen'—January 24, 1970.

Profitability

The final test lies in profitability, service and growth. If the Public Sector cannot pass these tests, then there is no meaning in it.

—Speech inaugurating the Round Table discussion on the role of the Public Sector, New Delhi on June 14, 1966.

Need for Efficiency

Much of what I have said applies even more to our Public Sector undertakings. There we need a greater sense of commitment to social objectives, greater scope for the technical element, greater delegation of authority down the line, greater involvement and the development of a corporate spirit. In short, a new culture. The Public Enterprises must primarily fulfil their economic role. By efficient functioning they should add to the nation's economic strength and also to budgetary resources. They should help to foster a new ethic in

administration.

—Speech given on October 22, 1971 at the annual meeting of the Indian Institute of Public Administration, New Delhi.

Autonomy and Control

The tests of success are production and efficiency. The criteria is not merely financial profitability, although that is important, but the result on the ground, judged in terms of quality and the standard of the things produced and also the overall public good. Conscientious and continuous effort must be made to take note of public complaints about the quality of the product and of the service. When public enterprises produce goods and services which are relatively scarce or in a monopoly situation, there is an even greater obligation to ensure fair prices and good quality. If the growth of the public sector leads to deterioration in service, with a concentration of economic power, then our entire economic faith is in danger.

One of the major debates in the Public Sector is on managerial autonomy versus control of the Government. Modern managers are expected to understand the nature of technology and of modern market better than traditional owners. Managers, perhaps legitimately, resent interference from political people and administrators. But accountability to the legislature is a fact of life in our type of democracy; it cannot be avoided even though it may complicate matters for you. The Government is required to take a larger view, even if a particular manager feels that it is at the cost of restrictions on his operation.

—Address given on April 5, 1983 at the Public Enterprise Chief Executives' Conference held at New Delhi.

Avoiding Wastage

The public sector must set an example to not only the private sector but to all citizens in avoiding waste, in making the best and fullest use of whatever is available, and in educating the people with regard to environment.

—Address given on July 14, 1982 after releasing a book entitled "Public Sector in India" (published by Associated Journals)

Achievements

May I ask you to look at the speeches which have been delivered through the years and the number of speeches which I have set through, condemning the Public Sector? Has it not struck you then that the Public Sector has a role to play and that it is the Public Sector which has given an infrastructure to our country so that we have been able to defend ourselves, so that we have been able to help you, the private sector. Do not forget that the private sector has advanced because the Government has protected it and has helped it. It could not have built up the base that it has today had the Government adopted a different policy. So, you have to view the problems; which you face and which we face in the larger perspective of the country.

—Speech given on October 25, 1969 at the Indian Merchants' Chamber, Bombay.

Mixed Economy

Rationale

The rationale of our mixed economy has been the need to steer clear of the extremes of ideologies, whether capitalist or any other. Mixed economy is a third alternative which, while extending the sphere of public ownership and control in vital and strategic sectors of the economy, retains free markets.

—*Speech given on December 5, 1970 at the annual meeting of the Associated Chambers of Commerce and Industry, New Delhi.*

Structure of Industrialisation

We need big industries in this country but we need medium-scale and small-scale ones as well. Unless all these are properly balanced and dovetailed together we cannot succeed. Whatever can be made at the village level or in the small-scale we should try to make at that level.

—*Address given on July 14, 1982 after releasing a book entitled "Public Sector in India" (published by Associated Journals)*

Private Sector and Public Sector

Our strategy of economic advance assigns a prominent role in the public sector to the rapid expansion of basic industries, power and transport. In our circumstances, this is not only desirable but necessary. It also imposes an obligation to initiate, construct and manage public sector enterprises efficiently and to produce sufficient profits for further investments. Within the framework of our Plans. In our mixed economy, private enterprise has flourished and has received help and support from government. We shall continue to encourage and assist it.

—*First broadcast as Prime Minister, All India Radio, New Delhi, January 26, 1966.*

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